Accountancy

ESTABLISHED 1888

Expansion—Some Organisational and Financial Factors

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Profits Tax—Groups of Companies

THE JOURNAL OF
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IN ENGLAND AND WALES

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The Company Law Inquiry

THE ANNOUNCEMENT BY Mr. Reginald Maudling, President of the Board of Trade, that Lord Jenkins, a Lord of Appeal, has agreed to act as chairman of the committee which is to inquire into the law affecting companies and certain ancillary matters, is to be welcomed. We are glad to see that among the fourteen members of the committee are Mr. W. H. Lawson, C.B.E., B.A., F.C.A., a past-President of the Institute of Chartered Accountants in England and Wales, and Mr. William Watson C.A., Treasurer of the Bank of Scotland.

There will be widespread satisfaction that the terms of reference are wide. They cover the review of the Companies and Prevention of Fraud (Investments) Acts (excluding what relates to the industrial and provident and building societies), and the Business Names Act; consideration in the light of current conditions and practices, including the practice of takeover bids, of the duties of directors and the rights of shareholders; and generally the recommendation of any desirable changes in the law. Mr. Maudling explained that the inquiry will cover this general field of the creation, operation and dissolution of companies, the protection of the public as shareholders and creditors and the regulation of dealers in securities. He added that legislation on building societies is in prospect and that the constant review of stock exchange procedures from within will continue. The Chancellor of the Exchequer is considering the desirability of separate legislation to protect investors who place money as unsecured loans or deposits.

The New Banking—The Next Step

BANKING IS CHANGING so quickly these days, after the long years of traditional torpor, that the proposed extension of the traders' credit system seems almost a timid forward step. Much has been written in the last year or two of the merits of the Continental giro systems, and the Radcliffe Committee, having considered them, recommended that consideration should be given to setting up a credit transfer system on similar lines here (see our October issue, pages 524–5). The clearing banks, perhaps in intelligent anticipation of this recommendation, had already declared that they were examining the matter. Now they have said that as a first measure they are arranging to expand the traders' credit service; any further move by the banks towards a British giro is to await publication of the Radcliffe evidence (but the Post Office is also considering the possibilities).

There have been traders' credits for many years, but they are still used far less than they might well be, probably because the banks have never talked about them: perhaps no more is needed now than an advertising campaign. For, while traders' credits fall a long way short of the simplicity of the giro, they offer substantial advantages to the trader. Instead of sending his batch of weekly or monthly cheques he provides his bank with the creditors' names, their banks and branches, the amounts to be paid, and a single cheque for the total amount. The bank then transmits the payments by the same method as that used for all inter-bank transfers, including payments by standing order and dividends credited direct to banking accounts.

The customer who uses traders' credits in this way saves postage, stamp duty and labour. How much he pays his bank for the service is not clear, in the absence of published charges, but while it is unlikely to be as little as giro transfers are reported to cost, it is equally unlikely to exceed the total cost of making transfers by individual cheques. And the system should not, as we have seen it suggested recently that is does, throw an additional cost on the creditors. It is fairly certain that the banks will have no difficulty in persuading many of their customers, private as well as business and professional, to use the service, and the fact that the rather clumsy name "traders' credit" is likely to be changed may well help.

Contracts by Corporate Bodies

ONE OF SEVERAL Private Member's Bills to be presented last month was designed to give effect to the recommendations of the Eighth Report of the Law Reform Committee (Command 622), published almost a year ago. At present the obligations of a corporate body, other than a limited company, as to validity of contracts, remain what they were centuries ago. Under the Bill corporate bodies that are not companies—local authorities, statutory corporations, building societies and universities are the main classes—would be placed in a position similar to companies and, therefore, to individuals. Certain contracts would, as now, be under seal but those which if made between private persons in writing would be merely signed by the parties would be so signed by a person acting under the authority of the corporation, and such a person could bind the corporation by parol in circumstances in which an oral contract would bind private persons.

In the face of some opposition the Law Reform Committee made its recommendations because it was convinced that the law as it stands was commonly ignored and the alteration would therefore be good in principle as well as tending to economy. Unfortunately the Bill is fairly low down on the list and will probably not be taken this Session unless it receives official support.

Baronetcy for Sir Harold Gillett

IT IS WITH particular pleasure that we note the conferment of a baronetcy upon Sir Harold Gillett, M.C., F.C.A., on completion of his term of office as Lord Mayor of London last month. Few can have better deserved the distinction, for in a year when the inescapable demands upon him were exceptionally heavy he found the time and the energy to satisfy the requests of many others for his presence or his aid. We do not need to tell the many chartered accountants who know him that each task was carried out with efficiency and grace. Sir Harold, a Council member of the Institute of Chartered Accountants in England and Wales, is the fifth accountant, and the fourth member of the Institute, to hold the office of London's Lord Mayor. An account of Sir Harold's earlier distinctions was given in a Professional Note on page 568 of the issue of ACCOUNTANCY for November, 1958, on the occasion of his becoming Lord Mayor.

Defining "EFTA" Goods

THE EUROPEAN FREE Trade Association (the "Outer Seven") of which the member-nations are Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom, is now set up, subject to ratification. It provides, with certain escape clauses, for import duties within the area to be reduced by 20 per cent. on July 1 next and by successive instalments of 10 per cent. until they disappear on January 1, 1970.

The convention setting out the terms of EFTA are contained in Command 906 (H.M. Stationery Office, 3s. net) to which as an addendum there is published Command 906-I (7s. net) giving detailed schedules.

Goods will be accepted as of EFTA origin (and therefore subject to the reduction of import duty) if they have been produced within the EFTA area by a qualifying process prescribed for finished products identified in the second of the Command Papers, or if not more than half of their export price is accounted for by "non-EFTA" materials. It is for the exporter to choose which of the two tests to apply.

There are set out in Command 906-I forms of documentary evidence of origin which have to be followed. An authorised signatory of the exporter has to certify in which category exported goods fall: if within the category satisfying the "percentage test" he certifies that "the value of any materials imported

from outside the Area or of undetermined origin which have been used at any stage of the production of the article does not exceed 50 per cent. of the export price of the article." There is a provision in the convention that for products or industries for which it would be impracticable for the producer physically to segregate materials of similar character but different origin, the segregation may be replaced by "an appropriate accounting system" and any such system is to conform to conditions to be stipulated by the member-States concerned, in order to ensure adequate control.

How Not to Summon a Meeting

"IT IS VERY surprising that these people who handle large sums of money do not trouble to look at the Companies Act and the articles and memorandum of their own company," said Mr. Justice Vaisey in the case of *Cowan* v. *Kraft, Stekel & Lower Perak Rubber Estates, Ltd.*, when restraining by injunction the holding of an extraordinary general meeting of the company. The notice of the meeting was held to be ineffective because it was not called, as it purported to be, by two members holding not less than one-tenth of the issued share capital. The two conveners were members of the company but it was only their beneficial, as distinct from legal, interest in other shares which would have brought them up to the required qualifying limit. Hence "the notice which had been sent out was a bad notice, untrue and misleading."

Although there was "no vice, malice or crime in it," said Vaisey, J., "it completely disregarded the words of the Section of the Companies Act under which it was issued." He did not think that Companies Act matters could be dealt with as "pure technicalities." The two defendants had acted for months as directors without troubling to find out whether they were qualified or not. They were advised by the company's auditors that they were not properly qualified.

The business proposed at the intended meeting included resolutions that the defendants be appointed directors and that all their acts as directors from a date some eight months previously should be ratified. Vaisey, J., did "not like the sort of general whitewashing to which the shareholders were being asked to assent." Section 132 (2) of the Act requires "the objects" of the meeting to be stated.

Turnover on the Stock Market

AMONG THE NUMEROUS suggestions of the Radcliffe Report, one is taken up in an unsigned article in the current issue of the *Stock Exchange Journal*, the request for further information about the turnover of the stock market. The writer puts his finger on two problems: how turnover is to be measured—a question encountered in many other fields: what is the turnover of a bank?—and how are the relevant figures to be collected?

There are at least three possible measures of turnover: the number of units dealt in, their market value and their nominal value. The point of how far the information is to be given in analysed form is not raised by the writer but it is relevant when one attempts to decide how the main question is to be answered. If figures of units are given, as on Wall Street, and given for the whole of the business in one block, the answer is likely to be meaningless, or nearly so, since the unit may be anything from, say, 2s. to £100 at nominal values or, perhaps, from a few pence to several hundred pounds at market prices.

There have been repeated requests from the financial Press and other quarters for information on turnover of the London Stock Exchange for years past. Almost anything would be regarded as an improvement on the present position, in which only bargains marked are available, which merely give a number which is neither the total of bargains done nor a constant fraction of that number. But the minimum information which would be considered satisfactory would be the turnover in each of the principal markets, on a daily basis, in terms of market value. In isolation these figures would present difficulties of interpretation, and sometimes an accompanying explanation might be helpful. But almost certainly the figures could not be provided without the installation of much more modern equipment than now exists or is apparently in contemplation, while, given the new equipment, more extensive statistics would be possible with little added cost. The market value of turnover would also be the best measure if an aggregate figure only could be provided, but subject to the proviso that there should be a separate figure for gilt-edged, operations in which could easily swamp any normal fluctuations in all the other stocks taken together.

As to the means of collection, there are arguments for and against using jobbers' figures or those of brokers. A complete record of all bargains done might in time be combined with a great deal of centralisation of other work now performed in the offices of individual brokers and jobbers, but these are matters likely to prove even more contentious than the publication of really detailed statistics of turnover.

What are Farming Losses?

The Comptroller and Auditor General has some somewhat pungent remarks to make on the question of relief for farming losses in his report on the appropriation accounts (*Revenue Departments Appropriation Accounts, 1958/59* (H.M. Stationery Office, 2s. net)). Test examinations by his department have shown that a substantial proportion of the repayments of tax under Section 341, Income Tax Act, 1952 (particularly to surtax payers) related to farming losses. In a number of cases the losses were of such magnitude in comparison with turnover, and had continued for so long a period, as to raise doubts as to whether the use of the estate concerned could properly be regarded as farming. In reply to enquiries, the Comptroller was informed that the total amount of income tax discharged or repaid under Section 341 for the year ended September, 1958, was about £39 million, of which £19.5 million

related to financial concerns which showed a trading loss but had substantial investment income. Of the balance, farming losses of individuals and partnerships accounted for some £5.2 million, that is, more than a quarter of the whole, excluding financial concerns. Corresponding figures for surtax are not available since losses are normally taken into account before the surtax assessment is made or, if claimed later, are not distinguished from other adjustments. The total amount of the farming losses of individuals and partnerships allowed in the year in question was about £13.5 million. The Inland Revenue Department stated that substantial losses in relation to turnover would not afford an adequate basis for resisting claims that the losses were sustained in farming. The term "husbandry" has been held by the Courts to be of very wide signification, and as the law stands claims to loss relief in respect of losses sustained wholly or mainly in husbandry are admissible notwithstanding that the nature of the activities carried on may be such that losses are virtually inevitable. The Comptroller and Auditor General points out that the Royal Commission recommended that the term "husbandry" should be strengthened by defining it as "husbandry carried on on a commercial basis and with a view to the realisation of profits."

The report also furnishes statistics relating to back duty, comparing the year to March 31, 1959, with the five previous years as follows:

Year ended March 31	*Number of cases*	*Total charges raised* £	*Penalties included* £
1959	10,757	18,013,864	6,792,470
1958	14,593	21,529,264	9,495,437
1957	15,511	22,549,246	9,426,295
1956	16,116	22,661,950	8,490,973
1955	19,663	20,587,922	8,420,419
1954	18,144	20,381,870	7,555,342

The reduction in results for the year ended March 31, 1959, was due almost entirely to a temporary postponement of negotiations for settlements because of uncertainty as to the penalty exigible under Section 25 (3) of the Income Tax Act, 1952. The matter is still *sub judice.*

Liability of Auditors—

THE MEASURE OF the responsibility of an auditor of a company depends upon the terms of his engagement. There may be a special contract defining his duties and liabilities, but if not, he will undertake his duties upon the terms (among others) set out in the articles of association. No agreement or article, however, can remove an imperative or statutory duty and an auditor may become liable under three heads: (i) negligence, (ii) misfeasance under the Companies Act, 1948, and (iii) criminal liability under the Larceny Acts, 1861 and 1916, the Falsification of Accounts Act, 1875, and the Companies Act, 1948.

In *Regina* v. *Shacter* (*The Times*, December 8, 1959) the Court of Criminal Appeal dismissed an appeal by an auditor against his conviction at Manchester Assizes on (*a*) three counts of publishing fraudulent statements and falsifying books, as a public officer of a public company, contrary to Sections 83 and 84 of the Larceny Act, 1861; (*b*) three counts of fraud as an officer of a company which had gone into liquidation, contrary to Section 330 (*a*) of the Companies Act, 1948, and (*c*) two further counts relating to defaults as an officer of a company, contrary to Sections 328 (1) (*j*) and 331 of the Companies Act, 1948. The appellant had been appointed auditor of this public company in 1953 and the appointment was continued from year to year. Certain figures concerning the stock position of the company had been put before a bank with a view to obtaining an overdraft and these figures were found to be false. The main question arising on the appeal was whether the appellant was an officer of the company.

—When is an Auditor an Officer?

THE GENERAL rule is that any persons who are regularly employed in conducting the affairs of the company may be officers of the company (see *Halsbury's Laws of England*, third edition, vol. 6, page 324, para. 638). The term "officer" in relation to a body corporate is defined by Section 455 of the Act of 1948 as including any director, manager or secretary, but under the corresponding provisions of previous Companies Acts an auditor, formally appointed to office as such, has been held to be an officer of a company in a long line of cases commencing with *In re London and General Bank* (1895) 2 Ch. 166, C.A. In that case it was held that auditors appointed in pursuance of Section 7 of the Companies Act, 1879, and spoken of as officers of the company in the articles of association, were officers within the meaning of Section 10 of the Companies (Winding-up) Act, 1890, and if guilty of misfeasance might be made liable in proceedings under that Section. The position is different, however, in the case of a person performing auditor's work on a particular occasion only (see *Re Western Counties Steam Bakeries and Milling Co.* (1897) 1 Ch. 617).

In the Court of Criminal Appeal the Court held that the Companies Act, 1948, contemplated that an auditor might be an officer of a company by virtue of his appointment under Section 159 of that Act, and that the authorities showed that an auditor appointed to fill an office was an officer, while an auditor appointed *ad hoc* was not.

It may be worthy of mention that an accountant to whom the books of a company have been handed for the purpose of preparing a balance sheet is not an officer of the company under Section 258 of the Act (*Findlay* v. *Waddell* (1910) S.C. 670); but that in Section 334 the expression "agent" includes any person employed by a company as auditor, whether that person is or is not an officer of the company, and that an auditor qualifies for relief under Section 448 (1) whether an officer of the company or not.

Making Share Transfers Easier

SPECIAL ATTENTION HAS been directed these last few weeks to the urgent need for changes in the whole system of transferring shares. A speech by Lord Ritchie, chairman of the London Stock Exchange, marked a high point in a flood of protests

against the present set-up. In substance he affirmed that methods of transfer are archaic, form a brake on the business of the whole community and seriously deter new small investors, who find the position incomprehensible. In justification of this view, Lord Ritchie stated that a simple transaction entails, in correspondence alone, the exchange of some dozen communications between broker and client, and inevitable delays, often of months, before a buyer receives his share certificates. With the recent boom, the cumbrous machine has threatened to break down and at the best is fruitful of error. Lord Ritchie's twelve communications are multiplied several times over if one includes all those passing within the Exchange.

The revision of the methods of making transfers has been demanded on frequent occasions over a substantial period of years without any appreciable change occurring, but a vast weight of opinion has now accumulated in favour of action, if only an alternative can be found which reduces the total amount of work.

The Corporation of Secretaries has held meetings on the subject with company registrars, members of the Stock Exchange and others and proposes to hold further such meetings, to which are invited chartered accountants representing firms which act as company registrars. And the Stock Exchange has invited the Bank of England, the London clearing banks, issuing houses and acceptance houses and the Chartered Institute of Secretaries to set up a committee to consider ways and means. Representatives of these bodies met late last month and agreed to instruct their officials to study certain details and to report. It is to be hoped that the committee will reach some unanimous conclusions.

It will probably report to the Chancellor or the Jenkins Committee. But the problem is not a tractable one; there is no readily apparent solution which even approaches the ideal and almost any change sufficiently radical to meet pressing requirements is liable to raise opposition in some quarters, since substantial changes seem inevitable. What seems certain is that any worthwhile reform will call for new legislation, which will presumably be a matter for the Jenkins Committee.

Barristers in Partnership?

CONSIDERABLE INTEREST HAS been aroused by the suggestion of the Lord Chief Justice that barristers should be enabled to form partnerships. This would constitute a radical change and one likely to cause some objection, if only because that part of a barrister's labours with which the public is most familiar is essentially an individual performance, however much teamwork may have been involved in making it possible. However, on a similar argument one might regard partnerships of physicians as undesirable, but they are now common form. A little study of the actual duties of the barrister reveals no fundamental objection to entry into partnership, and suggests some advantages. In an effort to determine the balance one way or the other to the profession and the public, the Bar Council appointed, over six months ago, a committee to study the question and report. Meanwhile anyone with views on the subject is invited to send them to the secretary of the General Council of the Bar.

It is clear that the suggestion has at least the whole-hearted support of the *Solicitors' Journal*, which would also like to see other suggestions taken up, in particular a proposal to ease transfer from one branch of the legal profession to the other. On this matter the chairman of the Bar Council, in a letter to *The Times*, states that the Council's education committee has given long and careful consideration to some measure of assimilation between the examinations for the two branches of the profession and to facilitating transfers between them. The views reached have already been endorsed by the Bar Council, which will shortly discuss them with the Council of Legal Education and the Law Society.

This seems to cover the further suggestion of the *Solicitors' Journal* that the proper body to take the initiative in pressing for action over the whole field of reform and in obtaining the support of the Bar Council is the Council of the Law Society. It is not clear just what part the latter body has to play in the matter of partnerships between barristers or why this issue should be tied up with the wider programme of adjustment within the legal profession. On the wider programme it is highly satisfactory to learn that, at least, the initial steps have been taken. The view appears to be fairly widely held that reform is both desirable and possible, but its extent is still a matter of some doubt.

A New A.C.C.A. Syllabus

THE ASSOCIATION OF Certified and Corporate Accountants has carried out a substantial revision of the syllabus for both Intermediate and Final examinations to take effect at and following the examinations in June, 1961. On that date candidates may elect to take papers under the old Intermediate syllabus, but only on that date, and this facility will not extend to the Final examination. Under the new arrangements the Intermediate examination is split into two sections which may be taken separately or together at the candidate's option, but the whole must be completed within three years of first sitting.

The new Intermediate syllabus still provides for six papers but each is of three hours as against a total of thirteen hours under the old. Under the new, Book-keeping and Taxation between them have two papers, against one, and there is a first paper on Costing, while the old paper on Partnership and Executorship Accounts is dropped. This completes Section I. Section II retains the papers on Mercantile Law and Auditing, while the last paper is on Economics and Business Statistics in place of two shorter papers on Elementary Economics and General Commercial Knowledge.

The general regulations for the Final examination are unchanged but the definition of the papers is much more clear-cut. There are

three new papers: Business Administration, Management Accounting, and Industry and Finance. The miscellaneous paper on Banking, Exchange and Finance is dropped and the half-paper on Mercantile Law is now in the Intermediate, while there is a paper on Executorship and Bankruptcy, subjects previously mixed with others. The list of recommended textbooks is substantially curtailed.

Professional Registrations

FOR DECADES PAST there have been suggestions for the registration of estate agents. Recently the public has suffered because there have been many thoroughly inefficient and occasionally dishonest practitioners in the business. The matter is now being taken up very seriously and no less than six organisation have let it be known that they favour registration, while at least four are engaged on drafting a Bill to make registration compulsory. The four are the Royal Institution of Chartered Surveyors, the Chartered Land Agents' Society, the Chartered Auctioneers' and Estate Agents' Institute and the Incorporated Society of Auctioneers and Landed Property Agents. Their decision produced the information that, early in July, Mr. D. Howell, who had for some time been prominent in the demand for registration, approached the Valuers Institute with reference to the registration of the estate agents' profession, representing himself as acting under the aegis of the Lord Chancellor's department. It is not clear whether the Government is now sponsoring a Bill to be presented, but if so the Valuers Institute sees no reason for two Bills but is prepared to consult with other bodies on the content of any legislation. At the same time the Incorporated Association of Architects and Surveyors expressed deep interest in the issue and the belief that the whole profession ought to reach common views before proceeding to put any proposals before Parliament. It will be noted that all these bodies are interested in matters additional to the business of estate agency—a formidable difficulty.

Looking at the matter from the outside, what the public really require is protection from dishonesty and inefficiency, and particularly from the former insofar as the estate agent is used only to bring buyer and seller into touch. Qualifications for doing so, other than acquaintance with the state of the market, must be slight. Members of the six organisations named above must in every case have definite qualifications and in some cases must have passed standardised examinations. It might prove a relatively simple matter to reach agreement on the terms upon which members of these organisations should be permitted to exercise the functions of estate agent, but this would not meet the public need. One has also to ensure that others, who have at present no such organisation, should be brought within the register and subjected to the same discipline. The history of the abortive attempts to secure registration of the accountancy profession comes to mind.

It is interesting to note that the Government has just taken action in another field with the Professions Supplementary to Medicine Bill. Under the Bill chiropodists, dieticians, occupational therapists and members of five other professions are each to have its own Board to control professional education and conduct. But there is also to be a super-Board to supervise and co-ordinate the operations of the eight special Boards. Members of these organisations will be permitted to employ a definite title and there will be penalties for its improper use.

Advertising for Deposits

BEFORE THE ANNOUNCEMENT of the terms of reference of the Jenkins Committee Mr. Percy Browne, member for Torrington, had won a place in the ballot for Private Members' Bills, for a proposal designed to protect the small investor. The second reading of this Bill is to take place on March 18 and, while details are not as yet available, its title "A Bill to amend the Companies Act, 1948, so as to control the solicitation of money from the public and for purposes connected therewith" sufficiently describes its purpose.

The provision of more regular statements by all companies has been suggested. This, however, would seem to be a matter for the consideration of the Jenkins Committee. This committee is comparable in importance to the Cohen Committee, which prepared the ground for the revision of the law effected in the Companies Act of 1948. Two Board of Trade committees were set up to assist the authorities but they were of an advisory character; they have been concerned solely with the administration of the Act as it stands. We do not believe that much work has so far been done on the official side on outright revisions of the Act of 1948.

As to the revision of the conditions under which advertisement for deposits may be permitted, as we have said in an earlier note, the Chancellor of the Exchequer is still studying the matter. To deal with even part of the trouble in a revision of the Companies Act would involve throwing publicity on certain exempt private companies, and to do so might be considered undesirable discrimination against them as compared with other companies, while it would still be necessary to take action outside the Companies Act to deal with partnerships and possibly other forms of organisation. In these circumstances special *ad hoc* legislation seems to be the best means of covering requirements and the official view is that this need not wait upon the Jenkins Committee report. That being so, one would hope that the Government may be able to push forward its investigations and may perhaps be able to act on this particular issue before next March. Recent developments, by giving publicity to the need for the greatest care on the part of those with money to deposit, have already supplied some corrective, but there is nonetheless urgency in the matter, if only because it is highly desirable that there should be a clear indication on what advertisements can properly be accepted by the Press and what should be rejected.

Deposits with H.P. Finance Houses

WHATEVER CHANGES IN the law may be possible with regard to advertising for deposits, the institutions concerned certainly have a part to play in improving the present unsatisfactory state of things. That fact is recognised by the Finance Houses Association, representing over thirty of the leading houses lending on instalment credit; these houses have combined assets of over £400 million. The Association in a recent statement points out that no qualification beyond a paid-up capital of a few hundred pounds is needed to set up as an "industrial banker" and then to seek deposits. These houses may offer high rates of interest which can be covered only by correspondingly high charges to the borrowing public. The F.H.A. believes that it has a responsibility to provide information which will help the public to a wise choice of a hire purchase company. It is, therefore, examining proposals to this end to be launched in the New Year by a nation-wide publicity campaign.

Reforming the Currency

AS A PENDANT to the comment on a possible reform of the coinage, which appeared on page 578 of the November issue of ACCOUNTANCY, some comment seems to be called for on the announcement of the issue of a new series of Bank of England notes.

Nothing can be said on the style of the notes to be produced except to express the hope that the promised difference in colour, and the colours chosen, will be such as to make it really easy for all to distinguish between the 10s. and £1 notes of the smaller depth and the £5 and £10 notes of the larger. The restoration of the £10 note is welcome, but it remains difficult to understand why there is to be nothing between the £1 and the £5 note. True, there has not been any narrower gap in the past, but the depreciation of the currency has shifted the scale of average payments well towards the higher end. Against this, the redistribution of the national income will have had the contrary effect, while this development may also have increased the proportion of total payments, by value, made by currency rather than by cheque—excluding large payments always made by the latter means. It seems, however, that the fall in the value of money must mean that a note of £2 or £3 denomincation would be almost as popular now as was one of £1 before the war. The introduction in 1957 of the new £5 note has already reduced the number of £1 notes in circulation by 10 per cent. and it seems probable that a note of denomination smaller than £5 would be much more popular. It is further to be noted that there is no time limit set even now for the introduction of the new currency.

Directorships in Large Companies

THE LATEST OF a series of studies devoted to a survey of various aspects of large companies* contains a short but informative section on directorships. The survey covers 512 companies but only 151 are dealt with in detail and of these companies 148 completed the questionnaire on the subject of directors. The 148 companies had in all 1,404 directors, of whom 70 per cent. were full-time and of whom 65 per cent. had worked in their companies for five years or more before joining the Board. Of the eight groups distinguished among the 148 companies the proportion of full-time directors ranged from rather under 74 per cent. in textiles and clothing to less than 54 per cent. in building, building materials and property.

Only 142 companies replied to a question about the holdings of directors in their companies. Of these 142 the holding by Board members was over 5 per cent. in 35 companies and greater than 25 per cent. in only 13. Thus ultimate control is, or should be, exercised by outside shareholders, but the report gives the conclusion, obtainable from common observation, that in varying degrees as between industrial groups it was found that day-to-day control was commonly exercised by largely professional Boards of directors, mainly recruited from within the company, and collectively owning a very small fraction of the equity.

A large part of the book is devoted to the consideration of whether the basis on which the size of the companies selected was determined, namely net assets, was the best possible. After a comparison of this basis with amount of capital, volume of employment provided and turnover as measures of size, the conclusion is reached that one or other of these measures may be relevant to a specific inquiry but that the subject of a proper criterion of size demands further study. It is suggested that perhaps a multiple index will prove necessary, possibly linking an absolute figure for volume of net annual output with a capital ratio showing the scale of operations necessary to produce it.

Other sections deal with oversea interests, the relation between numbers of shareholders and employees, and such topics as payment of fringe benefits and pension schemes. There are two appendices.

**A Survey of Large Companies.* 27 pp. Tables XXI and appendices; Ralph Harris and Michael Solly (*The Institute of Economic Affairs:* 42s. net).

Reporting H.P. Credits

ONE OF SEVERAL recommendations contained in the half-yearly report of the Industrial Bankers' Association is designed to provide credit information for the hire purchase finance houses. A number of frauds by car dealers in the North have brought home to these houses that one cannot expect a 60 per cent. expansion in business over twelve months without running the risk of over-extension of credit to dealers about whom one is not well informed. The finance houses have in the past done their business through dealers only, but recently have adopted the practice of direct approach to buyers who have worked off one purchase satisfactorily; however, this step cannot go far to restrict the amount of business with dealers and in any event the problem remains that one must not give too much credit to one individual. An adequate system of credit reporting is the only way of avoiding the danger.

The I.B.A. suggests that all hire

purchase finance houses and industrial banking companies should set up an organisation to provide a credit reporting service solely for their use and tailored to meet their requirements. In the first place the service would be restricted to contracts covering the purchase of motor vehicles, but could later be extended to cover the whole field of hire purchase contracts. It may be that Hire Purchase Information, which already provides a comprehensive service of information on the vehicles bought on hire purchase (as distinct from the sellers or buyers) might form the nucleus for credit information on dealers or even on the final purchasers.

Shorter Notes

Deputy Secretary to Taxation and Research Committee

Attention is drawn to an advertisement on page xlii for a Deputy Secretary to the Taxation and Research Committee of the Institute of Chartered Accountants in England and Wales.

Liquidation Meeting of the Society

A general meeting of the members of the Society of Incorporated Accountants is to be held at the Institute of Chartered Accountants in England and Wales on January 27, 1960, at 3 p.m. The meeting will be asked to approve the liquidators' acts and dealings in the two years from the commencement of the winding up of the Society (up to October 31 last) and to elect Mr. C. A. Evan-Jones as joint liquidator with Mr. J. A. Allen, F.C.A. in the place of Mr. I. A. F. Craig, who is resigning. There will also be resolutions on the remuneration of the present joint liquidators.

Distributive Trades Inquiry

The inquiry into the Distributive and Service Trades to be made in 1960, covering business done in 1959, will include as usual questions about stocks and capital expenditure. Firms in the wholesale and retail trades will be asked to state the main kinds of goods dealt in and to give a global figure of receipts for the year. The inquiry of 1961 into figures of 1960 will seek information from firms engaged in all types of catering, including *inter alia* contractors, canteens and public houses. They will be asked to state total turnover and its division under a number of headings, including sales of meals, of drink, of tobacco and of other goods, and receipts, where appropriate, from board and lodging and other services. This information will make it possible to exclude the wholesale and catering trades from the full Census of Distribution based on the business of 1961. Further information can be obtained from the Census Office, Lime Grove, Eastcote, Middlesex.

No Broadcast on Accountancy as a Career

Accountants, clerks and those interested in a possible career in the profession who tuned in to Network Three of the B.B.C. on November 30 at 7.30 p.m. were disappointed. They did not hear the programme *Choosing a Job—Accountancy*, which was to have been broadcast then. Only three days before, the B.B.C. decided to cancel the programme because of difficulties arising out of a re-recording. Perhaps it will be broadcast on a later occasion.

Chartered Institute of Secretaries

Mr. Ernest Long, F.S.A.A., F.I.M.T.A., F.C.I.S., has been elected President for 1960 of the Chartered Institute of Secretaries, and one of the two Vice-Presidents is Mr. S. M. Rix, A.C.A., F.I.M.T.A., F.C.I.S. Mr. Long won the Gold Medal of the Society of Incorporated Accountants as the best Final examination candidate of 1924. He was secretary of the Institute of Municipal Treasurers and Accountants from 1944 to 1948, and afterwards held the offices of deputy chief accountant and subsequently secretary to the British Electricity Authority. He is now a member of the Central Electricity Generating Board.

P. D. Leake Trust

During the year ended October 31, 1959, the P. D. Leake Trust continued its grant of £3,500 per annum for the P. D. Leake Professorship of Finance and Accounting in the University of Cambridge. No appointments of P. D. Leake Research Fellows were made for 1958/59, but the Committee made a grant of £89 10s. 6d. to reimburse the universities for their expenditure in advertising for applications for fellowships for 1959/60. Unfortunately none of the applicants was regarded as suitable. The study group of the Royal Institute of Public Administration, covering a research project on Budgetary Practices in Public Authorities, financed by annual grants of £1,500 for the years 1957 and 1958, has reported and the result has been published by George Allen & Unwin Ltd. in a book entitled *Budgeting in Public Authorities*. At October 31, 1959, the accumulated income fund stood at £57,070 (compared with £49,394 a year earlier). The capital fund, taking securities at probate value or cost, was £114,772 (against £114,677) but at middle-market prices would have been £213,545 (against £170,529). Copies of the report will shortly be available, free of charge to anyone interested, from the Institute of Chartered Accountants in England and Wales.

Presentation of S.E. Members' Accounts

The Council of the Stock Exchange, London, has issued a reminder concerning the prompt preparation and presentation of annual balance sheets by all members. The broker or jobber is free to choose when his financial year shall begin, but under Rule 79a he must present his account within six months of its termination. The Council's reminder was no doubt considered desirable in view of the heavy pressure under which the clerical staffs of most members have worked in recent months, and it means that the presentation of the balance sheet must have first priority. Only in quite exceptional circumstances, and when every effort has been made to comply with the rule, will an extension be granted.

Tax Evasion Charge

The final act of the case in which Louis Bernard Robinson, director, and his accountant, Albert Edward Taylor, were charged with conspiring to defraud the Inland Revenue took place at Leeds Assizes on December 3, when Mr. Justice Thesiger sentenced Robinson to imprisonment for five and Taylor for two years. Both men had pleaded guilty to the charges of which some particulars were given on page 515 of ACCOUNTANCY for October last. In passing sentence Mr. Justice Thesiger said that Robinson made the money and Taylor was the tool by means of which the dishonest returns were made. He had been paid £2,700 spread over nine years. Mr. Lyons, defending Robinson, said that he had a high reputation and but for his inability to stop gambling would have been able to look back on his life with some cause for pride. Mr. J. Stanley Snowden referred to Taylor as a broken man whose own sickness and that of his wife had lessened his power to resist temptation; this lapse apart he had lived a blameless life.


Gifts you would be proud to possess
Twinlock
REGISTERED TRADE MARK
LOOSE LEAF DIARIES
Ideal for noting those appointments, available in many styles and sizes.
ZIPPER RING BOOKS
High quality productions, suitable for Company Representatives and Executives.
VETRO Personal FILE
The complete home secretariate, price complete—77/10 inc. P.T.
Obtainable from your nearest Stationer

EDITORIAL

Where a Company Keeps House

"A COMPANY cannot eat or sleep but it can keep house and do business." So spoke Lord Loreburn, then Lord Chancellor, in the case of *De Beers Consolidated Mines Ltd.* v. *Howe* (5 T.C. 198) in 1906. In that case, the House of Lords laid down the test for establishing the residence of a company. On November 30 last their Lordships, in their decision in *Unit Construction Co. Ltd.* v. *Bullock*, reaffirmed the test, sweeping away some misconceptions that had arisen in the progress of the appeal to the highest tribunal.

Readers of ACCOUNTANCY do not need to be reminded of the importance of residence in relation to the law of income tax. That rather curious creature of statute, the Overseas Trade Corporation, is a recent witness both to the crucial nature of residence and to its definition by the courts. The *Unit Construction* decision will be welcomed by accountants as an unambiguous guide to the law. Its considerable significance lies in its affirmation of old principles rather than in the exposition of new.

In the *Unit Construction* case the appellant company was a wholly-owned subsidiary of an English company, Alfred Booth & Co. Ltd. The parent had three other wholly-owned subsidiaries which, it was admitted, were resident in Africa. In the material years the appellant company made subvention payments to the other subsidiaries. It claimed to deduct them under Section 20 of the Finance Act, 1953, in computing the profits of its trade. But it could be permitted to do so under the Section only if the African subsidiaries were also resident in the United Kingdom. The Special Commissioners decided in favour of the appellant company, but their decision was reversed by Wynn-Parry, J., whose judgment was upheld by the Court of Appeal.

The Special Commissioners' findings of fact were that the Boards of directors of the African subsidiaries (who were the persons that one would have expected to find exercising control and management) were standing aside in all matters of real importance and in many matters of minor importance affecting central management and control, and that the real control and management was being exercised by the Board of Alfred Booth in London.

It would seem, therefore, that the *De Beers* definition of residence would mean that the African subsidiaries were resident in the United Kingdom. Shortly after the sentence quoted at the beginning of this article, Lord Loreburn stated that "a company resides, for purposes of income tax, where its real business is carried on . . . I regard that as the true rule; and the real business is carried on where the central management and control actually abide."

The Courts below, however, added some qualifications of their own to this definition. The management of each African subsidiary company was placed by its memorandum and articles of association in the hands of its directors, and it was expressly provided in the articles that directors' meetings might be held anywhere outside the United Kingdom. The running of the subsidiaries by the directors of the parent company in London was therefore "unconstitutional." This unconstitutional behaviour occurred because the African companies were being operated so unsuccessfully by the management in Africa that it became imperative from a business point of view for the directors of the parent company to assume control of the management.

In consequence of this irregularity the Courts below held that no weight could be attached to the activities of the Board of the parent company in relation to its African subsidiaries. The Court of Appeal said of the earlier authorities that the Judges had not "had in mind such a case as the present in which *de jure* management is vested in one company whilst *de facto* control is vested in another." The Court had, it was stated, to regard "acts or other elements . . . regular and not irregular, constitutionally lawful and not unlawful" in determining the question of management and therefore of residence.

But the House of Lords unanimously rejected this reasoning. The true test was a matter of actual fact, as laid down in the *De Beers* decision. Residence does not depend on formal regulations. Indeed, if it did, the consequences to the Inland Revenue in other cases would be "far-reaching and deplorable," for then it would be a simple matter to manipulate the residence of a company for tax purposes at the will of the directors, no matter where the business of the company was in fact carried on.

Lord Radcliffe, while at pains to point out that the decision was not upon double residence of companies, made some helpful remarks upon this subject. He observed that the simplicity of Lord Loreburn's definition was marred inasmuch as the facts of individual cases had not always been such as to make it possible to identify any one country as the seat of central management and control. The management might be divided. An instance of this was *Union Corporation Ltd.* v. *C.I.R.* (1953, 34 T.C. 207). The decision of the *Swedish Central Railway Co. Ltd.* v. *Thompson* (1924, 9 T.C. 342) was also explicable as such a case.

Lord Radcliffe ended his speech by dismissing the argument that an enquiry about the facts rather than a scrutiny of regulations would impose an undue burden on the Inland Revenue. The second test was too simple. He said that in applying the first test " . . . much of the effective administration of revenue collection will continue to depend, as it always has, upon the measure of candour and responsibility that is shown by the individual taxpayer and his professional advisers." Pleasing words, even if *obiter dicta.*

A paper given at the National Conference of the British Institute of Management held at Harrogate on November 17–19, 1959

Expansion—Some Organisational and Financial Factors

by Brian A. Maynard, M.A., F.C.A., A.C.W.A.

I ONCE ATTENDED a conference at which one of the subjects considered was "organisation for peace of mind." To my view, expansion and peace of mind just do not go together and those who are civilized enough to put peace of mind first would not share our enthusiasm for expansion. They would not recognise it as any indication of achievement or appreciate the sheer red-blooded exhilaration of the thing.

Nor is expansion a process which would altogether appeal to the perfectionist. A tidy picture of smooth progression is usually as deceptive as the misleadingly straight lines which are so often shown on break-even charts—and for similar reasons, since expansion usually proceeds by a series of quite distinct stages. As a result, an expanding concern is rarely more than momentarily in a state of equilibrium; it is more often gathered for the next leap forward, or regaining its balance after the last one.

Theoretically, of course, expansion may have nothing to offer to a very small minority of companies that are operating in limited markets or are providing specialised or personal services and have already reached their optimum size. But, for the majority, it is not enough merely to avoid the embarrassment of contraction; it can be dangerous to fail to grow. This is brought home by the relatively high mortality rate among companies that have failed to expand and now there is a new danger in the greater vulnerability to takeover bids noticeable among companies with low growth records.

Indeed, with the exception of those trapped in dying industries, efficient organisations can scarcely fail to expand in the sort of world that lies ahead. Enormous increases in population and rising standards of living continuously create new demands which in turn stimulate technological advances. Thus the trend can only be towards more larger units with smaller businesses on longer holding their own.

Unfortunately, failure to expand or even to hold one's own frequently goes unsuspected because the effects of inflation not only hide the truth but can encourage a wholly unjustified sense of achievement and well-being. It is therefore important to take stock of real progress periodically by stripping the record, as far as is practicable, of the effects of inflation. It can, for example, be a salutary experience to adjust profits by providing depreciation on the basis of replacement costs and then express them as a return on the corresponding notional value of the net assets employed—thus avoiding the flattery of the conventional method of relating profits based on historical cost depreciation to the historical written down book values of the net assets employed. Re-appraisals of this sort are often invaluable in dispelling complacency and illusions of success before they become dangerous or even fatal.

Characteristics of Expanding Organisations

If there is one thing we have in common today, it is that we belong to organisations which have above average growth records and, in many cases, are still growing rapidly. Between us we probably represent most of the main types of growth, including increasing sales of existing products, diversifying within existing markets, breaking into new markets and vertical expansion either backwards towards the source of raw materials or forwards. It would be enlightening to know to what extent these diverse successes are accounted for by common factors.

Probably the most thorough research into this sphere so far is that carried out in the United States by the Stanford Research Institute, which analysed the case

histories of some 200 companies selected for their exceptional growth during the ten years ended in 1949 and followed their subsequent records for the seven years through to 1956. Briefly, they found that the most significant common characteristics were:

1. Organised programmes to seek and promote new business opportunities.
2. An orientation to growth fields and markets.
3. Proven competitive abilities in present lines of business.
4. Courageous and energetic management, willing to take carefully considered risks.
5. Luck.

One cautionary fact which emerged from their study was that a surprising number of those companies which had been successful during the first ten years had subsequently "fallen flat on their faces, or at least slipped badly."

They concluded that while good management practice does not ensure growth, good management, and especially sound planning methods, greatly improve the chances of success.

One's experience in this country suggests that their findings would be equally valid here, although two other points might be mentioned. First, up to a certain size the vital factor behind everything is often the driving force of a single individual, whose motives—which commonly include the desire for prestige, power or wealth—we have not the time to consider. Secondly, we can draw no firm conclusions about the relative merits of specialisation and diversification. Attitudes here vary greatly. Some successful organisations attribute their success to concentrating on a specific type of production and like to see stocks held and their maintenance, distribution and other services provided by third parties. Others, equally successful, accept almost every chance to expand vertically and to set up additional internal services as they grow larger. In the latter case, it is important to establish yardsticks which disclose whether a proper return is being obtained on the capital invested in such services.

It does not seem profitable to enlarge on this topic in a paper of this length and I propose now to deal with a number of specific problems which seem commonly to afflict organisations under the stress and strain of expansion.

Delegation

Expansion can only suffer when undertaken without a proper understanding of its organisational implications. All too often "ad hocery" is the order of the day and new bits are patched on to the existing organisation either through ignorance of the principles involved or because of the reluctance of men working under pressure to make the time to think things through and to plan properly.

The main problems concern the timing and extent of delegation. A good deal of confusion and muddled thinking has led to a tendency to over-simplify the nature of delegation. This is probably accounted for by failure to identify the different levels of delegation and to appreciate the critical stages of growth and the organisational patterns typical of them. None of us here has any excuse for failure in this respect, since there is an excellent discussion of these and related organisational problems in the booklet *Problems of Growth in Industrial Undertakings* published by the British Institute of Management.

While I shall, as far as possible, avoid covering the same ground again, I propose to dwell for a minute on some of the delegation problems which centre round the personality of the chief executive.

Standard specifications for top men in expanding organisations normally include a capacity for hard work, determination, flair, ability to inspire enthusiasm, willingness to take risks, readiness to grasp opportunities and luck. The list does not necessarily include outstanding powers of leadership and it is often astonishing how far men have got without them. The answer normally is that they have enough in hand in terms of the other qualities to more than compensate for any weaknesses as leaders.

To this formidable list must be added a quality which is frequently overlooked—the ability to make quite large mental and emotional adjustments as their organisations expand, and to realise when the point has been reached at which they must adapt their thinking and behaviour to the new possibilities which they have created. For if they develop their organisations beyond a certain size, they will have to restrict their activities to such matters as long-term planning, capital expenditure, the selection and training of key personnel, the broad appraisal of current results and various ceremonial and ritual appearances or functions.

We all know of men who have shown exceptional ability in creating and rapidly expanding a business up to the maximum size that can be dealt with by one man but are quite incapable of taking the next hurdle. At this stage, they are probably aware themselves—others certainly will be—that they are exceeding the "span of control" at which they can operate efficiently, although that span may be slightly above the average because their organisations are relatively small and they know them so well. But further expansion is delayed by inability or unwillingness to delegate until retirement or the doctor's orders solve the problem.

Inability to delegate usually means that the adjustments which have to be made from doing to thinking and planning have proved too difficult or upsetting. In such cases, a high degree of misspent energy is a normal protective mechanism for the man who does not know how to plan and support further expansion—he will be too busy rushing round seeing and doing for himself even to contemplate it. Indeed it is sometimes surprisingly hard to convince a managing director who feels a nagging desire to be able to do all the jobs in his organisation as well as anyone else that if he could do so he would have failed doubly: first, failed to organise his business and recruit people who, within their restricted spheres, can do their jobs better and more cheaply than he, a jack of all trades, could hope to and, secondly, failed by wasting time keeping up to date with detail

instead of concentrating his energies on his own quite different job of planning and directing.

Unwillingness to delegate is often defended by the boss on the grounds that he has tried delegation and that it has not worked. The truth is probably that he did not know how to delegate. Either the responsibilities and authority delegated and the relationships with other officials were not clearly defined, or his attitude to the subordinates was wrong. For he must have confidence in them and put the necessary thought and effort into bringing them on—it is, for example, more constructive to ask questions which will force them to consider their activities in the correct perspective than to bowl them out, as is all too easy, on points of extreme detail.

Finally, failure to delegate sometimes reflects an unconscious reluctance to share authority and limelight. The full price of failure is often not brought home until the problem of succession has to be faced, by which time the managers will probably have taken such punishment that they have either lost their confidence (and with it their capacity to develop) or got out. The passive audience of a one-man band is unlikely either to provide a successor or to constitute much of a team with which to fill the vacuum—nor does it make the most flattering memorial to leave behind one.

When building on such foundations, one is usually faced with the problem of managers and others who are just not up to the new requirements. I would like to stress that the most difficult stage is normally the initial one of deciding to grasp the nettle. Once this decision has been taken, it is surprising how often the personal problems prove to be less intractable than had been feared, provided that they are tackled with the necessary thought and consideration.

Looking ahead, planning and control

As we have seen, two common characteristics of companies with high growth records are organised programmes to seek and promote new business opportunities and an orientation to growth fields and markets—and the two are obviously closely connected. Happening to be in an industry which is growing rapidly may be a matter of luck, but selecting and breaking into one is a different matter. The success of those who see and seize their chances in this way is too often attributed to good fortune. But somehow, as with cards and the weaker sex, it is always the best performers who appear to have the luck—for the good reason that they are always making their own breaks. Not that seeing a chance is, in itself, enough; timing is of the essence of success and it can often be a costlier mistake to go in too soon than to wait until competitors have set the pace and skimmed the cream.

All this demands a readiness to look around and ahead and an ability to see the relevance to one's own circumstances of such factors as technological break-throughs, long-term trends in demands as a result of improving standards of living at home and overseas, and the impact of such political changes as the creation of the Free Trade Area and the Common Market and the onset of total peace. This general awareness, which is typical of expanding organisations, should form the background for long-term planning in bodies of any size.

Plans made in such an atmosphere will permit a more thorough appraisal of objectives and of what is required to achieve them. The most careful planning cannot, of course, guarantee success but, as we have seen, by reducing, so far as possible, the unforeseen to the unforeseeable, it enormously improves the chances both of selecting a good plan and of realising it. It also improves the likelihood of success by imparting a sense of direction and order to the organisation which enables employees to take a pride in their company that will rightly be reflected in improved performance.

One rather eminent man, when discussing his corporation's plans, remarked "It is necessary to take steps in several directions!" His was a very big organisation; smaller ones must be less ambitious. For the more limited one's resources, the more vital it is to plan the order and timing of developments. Otherwise energy and resources may be dispersed too widely over improvements which, though desirable, could have waited, while important chances are missed or fluffed. It can take determination to stick to one's priorities; it may, to choose a common example, be imperative to stand by a decision to produce a limited number of profitable products and to resist a disruptive habit of producing whatever variety customers may happen to ask for.

I shall have to restrict any further comments on the planning and control of expansion to two matters:

(1) the importance of selecting and training sufficient managerial capacity;

(2) the provision of a proper flow of financial and other information.

These are very properly being given increasing attention by the various sources of finance to which expanding businesses turn, because failure to appreciate their importance has time and again held back the progress of medium-sized organisations.

If you have the right chaps you can set your sights high. Yet one of the commonest brakes on expansion is lack of the right men—a weakness which is reflected in the crop of new firms offering assistance in the selection field.

In selecting and training future managers it is essential to look ahead, since the jobs which they will be required to fill when the organisation has expanded for another five or ten years may be very different from those of the existing management—these are gaps which seem likely to widen.

There has not yet been time to work out the implications of the increasing rate of technical change in modern business in relation to the discouragingly convincing evidence that adaptability to new problems and ways of thinking starts to decline materially in early middle age. As parents we look forward with decreasing enthusiasm to answering our children's enquiries about what are, admittedly, everyday matters such as interplanetary rockets and nuclear energy—small boys are rarely impressed by the broad-gauge answer or by experience in

other directions. As management, I believe that we shall find it increasingly difficult, in planning promotions and transfers, to strike a proper balance between the importance of administrative experience and maturity, and of mental receptiveness to the challenging new possibilities offered by, for example, integrated data processing or operational research. Real dilemmas can arise here; a lack of experience in a manager on the one hand or of adaptability on the other can threaten the success of a development—quite apart from frustrating a promising career or wrecking a hitherto successful one.

Both the information provided to management and the promptness with which it is presented are all too frequently inadequate for effective financial planning and control in expanding organisations. Here, a system of budgetary control, always a powerful aid in running an efficient business, can be invaluable. This is, of course, a subject in itself, but there is time to mention some important advantages.

First, such a system forces management into the habit of looking ahead and planning and co-ordinating its activities. A management with some experience of these techniques will not only produce better plans, it will produce them more quickly—and, as we have seen, this may be vital in seizing a fleeting opportunity.

Secondly, it provides a great deal of information, in the detailed budgets and in the comparisons of actual results with them, which facilitates forecasting the costs and profitability of different uses of plant and labour and helps to show what the limiting or bottleneck factors are likely to be as expansion proceeds.

Thirdly, it assists in the development of efficient methods of ascertaining and controlling the profitability of different products. Vagueness about this is dangerous for, left to itself, expansion will tend to take the form of increased sales of any under-priced lines. Indeed, companies which put their house in order on the management accounting front as part of their expansion plans often receive some shocks when they learn where their profits really come from—discoveries which may well necessitate major changes in their programmes.

Fourthly, it gives higher management an improved understanding and control over current results, as the principle of control by exception from what was expected highlights the significant facts in the midst of the increasing volume of information.

Finally, cash and capital expenditure budgets are vital for expanding businesses. A commonsense review of the detailed capital expenditure budgets can be a valuable check on the planning behind them. It may, for example, disclose scope for rephasing so that the peak requirements for labour are reduced and with them the cost of recruitment, training and the provision of housing and associated services. It may even show that the timing of the whole scheme should be changed to avoid clashing with other local developments and thus increasing costs by causing local inflation through competing demands for limited resources.

The emphasis of top management's interest in figures should change with expansion. Thus, as a group grows above a certain size the attitude of the parent company will become similar to that of an investment company and it will be primarily interested in the return obtained on the capital invested in the different subsidiaries and in balancing the relative attractions of short-term and longer term pay-offs. It will use such procedures as centralised banking to ensure that the best use is made of the group's cash resources and that seasonal and other special requirements are as far as possible balanced out.

In a paper of this length, the price of balance would be complete superficiality. Unfortunately, the axe has therefore had to fall on two subjects which are of particular interest to me. For at this stage I should have liked to say something of the various external sources of finance and their suitability for the different requirements of expansion—for example, banks, hire purchase and insurance companies, building societies, the Finance Corporation for Industry, the Industrial and Commercial Finance Corporation and the Estate Duties Investment Trust. These have become more important now that the possibility of a takeover bid can make it dangerous to finance expansion by restricting dividends. I should also have liked to discuss the steps which can be taken to prevent the incidence of surtax and estate duty from crippling a growing business. Nor shall I say anything about the current form in the admittedly technical area of mergers and takeover bids, or deal with such short cuts as the proper use of shell companies, as these matters are currently receiving official consideration.

Organisation of subsidiary companies

A common mistake, where expansion takes the form of buying or setting up a company, is for the parent company to be needlessly satisfied with less than a 100 per cent. holding. As a general rule, unless one is entering into a venture on a partnership basis, it is desirable for subsidiary companies to be wholly owned, as this:

(1) enables the parent company to deal with the assets of its subsidiaries with complete freedom—subject, of course, to the rights of the creditors;

(2) enables the parent company to determine the dividend policy of its subsidiaries according to the position of the group as a whole. By contrast, where there are minority shareholders it is often necessary to declare dividends out of fairness to them, although this may not be required by the parent company—in the case of an overseas subsidiary, this can result in unnecessarily increasing the liability of the group to taxation;

(3) obviates the difficulties which can arise if additional capital is required by the subsidiary and the minority interests are unable to provide their share of the new money. In such cases, in order to preserve the existing ratio of the holdings in the equity capital, the parent company may have to put up the new money in some other form which will not bring in its proper share of the profit earned by the additional investment;

(4) avoids any danger of minority interests selling their holdings to unsuitable third parties.

Then there is the more general question of when it becomes appropriate to organise expansion by setting up new subsidiary companies. Not so long ago, the pendulum seemed to have swung too far in favour of the creation of separate subsidiary companies, which in some groups were set up for almost every activity. This trend seems to have been reversed and many large groups have been eliminating unnecessary subsidiaries where their activities can be carried on as well or better as departments. In this way:

(1) administration is simplified;
(2) unnecessary board and general meetings are avoided, together with the need to observe various statutory requirements—there may even be an overall reduction in audit fees!
(3) stamp duty on the capital of the subsidiaries may be saved.

This trend accepted, there are, of course, many considerations which may dictate the creation of a subsidiary company. For example, this may be desirable for taxation reasons; it may be dictated by political factors such as the need to qualify for concessions or to minimise the danger or potential effect of nationalisation or expropriation; it may be justified as a means of providing status for executives or of bringing in well-known local figures whose connections will be of assistance to a new venture as part-time directors; it may be appropriate for a new type of business.

In this connection, something must be said about taxation because time and again an otherwise elegant plan for expansion has started off with a costly blunder through failure to take it into account. Probably the commonest mistakes flow from a lack of appreciation of the provisions affecting new businesses in this country and in a number of others, particularly in the Commonwealth, where the initial profits of a new business are assessed more than once before it gets on to the normal previous-year basis.

Where practicable, it is desirable to exploit the effect of this double assessment in the initial accounting periods by timing the development of a new company so that its early profits are negligible. There is no time to amplify this point but an obvious possibility would be, instead of opening with a bang in one fiscal year, to open more modestly in the previous year.

If, however, a new development cannot fail to make material profits from the start, it may be practicable to save tax by organising it as a department or branch of an existing company, as the initial profits will then not normally be assessed until the fiscal year following that in which they arose.

At the other extreme, when a new development is expected to make losses initially, it is important to ensure that full tax relief is obtained. This is another consideration which may favour starting it as a department or branch of an existing company, leaving the formation of a separate company until just before the break-even point is reached. The advantage of this course is that the initial losses of the new branch will automatically be set off against the profits of the company. This result could be partially achieved, if it were set up as a company, by making subvention payments, provided that both companies were subject to United Kingdom taxation, and, in other cases, by agreeing interest charges, commissions, profit margins or charges for management expenses at appropriate levels. But a good deal of additional thought and effort can be involved in doing so.

Again, wear and tear allowances can be important from the point of view of the cash budget of a new development, and here it can be well worth a scramble to get new plant working before the end of an accounting period so that the annual allowances can be claimed. In a period when initial and investment allowances are granted, it can also be beneficial to enter into contractual obligations for the whole of the capital expenditure involved in a new development at an early stage, so that the whole expenditure will rank for these allowances even if they are discontinued before all payments have been made.

In mentioning such points, I do not wish to imply that taxation considerations, which can sometimes suggest distinctly curious courses of action, should be allowed to override common sense, but merely to remind you that large sums of unnecessary taxation are often paid when setting up new ventures and that taxation liabilities should therefore be planned along with everything else.

Sub-subsidiary companies

It is not unusual to find a proliferation of sub-subsidiary and sub-sub-subsidiary companies regarded as an invariable and even a desirable result of expansion. There are, of course, many cases where the creation of a second layer of subsidiary companies is justified. For example, a number of subsidiaries may be so inter-related that it is convenient to group them together for administrative purposes by making one a direct subsidiary of the main holding company and the remainder its sub-subsidiaries.

Again, where a parent company has both home and oversea subsidiaries, the need to control the net U.K. rate of tax of the parent company may make it beneficial to group the oversea subsidiaries under a direct subsidiary. The transfer of income from the oversea subsidiaries to the parent company can then be controlled by the direct subsidiary without interrupting the flow of dividends from overseas—which can be important where political or currency risks overseas or other considerations make it essential to take out adequate dividends each year. In this way the parent company can ensure that the mix of U.K. and oversea income received by it will result in a reasonable net U.K. rate of tax, which can be a material consideration where shareholders include bodies which are not liable to the full standard rate of U.K. tax, such as trustees for pension funds and assurance companies.

Subject to such exceptions, the trend in group administration is for the shares in all subsidiary companies to be held direct by the parent company as this:

1. is usually simpler administratively and minimises problems of communication;
2. often avoids unnecessary taxation complications;
3. makes it easier to assess the results of each company, as these are not confused by dividends from sub-subsidiaries.

This practice does not, in any way, prevent subsidiaries which fall naturally into a group from being dealt with together for management purposes.

Expansion overseas

Both the extent and the form of expansion overseas are often dictated by outside challenges, such as the Common Market, or by external pressures. For example, if one is providing goods or services to expanding world-wide organisations which themselves demand a world-wide service, one either operates wherever they do—however unattractive this may be in some of the areas from political, climatic or taxation viewpoints—or loses out to those who are willing to do so.

Similarly, the growth of nationalistic feelings—one of the less desirable exports of Western civilisation—can cause pressure to set up a plant locally, even where this can only produce more expensive products than could have been supplied from this country. In some places, smoke coming out of factory chimneys has an exotic charm and a considerable prestige and political value, despite the fact that the most striking product at the bottom is a loss.

Incidentally, in such cases, the form of the local organisation may also be dictated in the sense that the taxation concessions and favourable terms which are available to a locally registered subsidiary company, but would be denied to branches of foreign companies, may be such that there is no practical alternative to setting up a subsidiary.

Taxation considerations may also dictate the nature of the subsidiary company. Thus, if it is desired to accumulate the profits of an oversea venture for further expansion outside the U.K. without incurring liability to U.K. taxation, it should be set up either as an Overseas Trade Corporation or as a subsidiary company, the control and mangement of which are abroad. The profits will then be liable to U.K. taxation only to the extent that dividends are declared.

A further taxation factor which sometimes influences the decision in favour of forming an oversea subsidiary is the prospect of the protracted and complicated negotiations which would otherwise be involved in reaching an agreement with the foreign Inspector of Taxes as to just what were the profits of a branch—negotiations which might necessitate the disclosure of information about the activities of the company as a whole which it would not wish to become general knowledge.

There has not been time to do more than touch on the sort of financial considerations which must be taken into account when planning oversea expansion. But before leaving the subject I should, perhaps, add that in practice the position may be further complicated by such matters as exchange control regulations and the need to obtain the consent of the Treasury under Section 468 of the Income Tax Act, 1952, or of the Capital Issues Committee. Also it may be possible to obtain concessions affecting such matters as customs duty on construction materials and plant and exchange control regulations, if application is made before a decision to go ahead is taken.

One often notices an initial failure to recognise some of the new problems which come with oversea expansion. Those overseas may be facing new and difficult problems and should be able to feel that there is someone at the head office whose responsibility it is to understand their problems. The tone of correspondence with them is more important than might at first appear, as it can have a major influence on the maintenance of good working relations. It is therefore worth taking considerable trouble to ensure that letters have a friendly and understanding tone, since nothing does more to discourage those on the spot, and thus to lower their morale and efficiency, than curt letters from head office which seem out of touch and fail to show any sympathy for the local difficulties.

Inter-firm comparisons

A general preoccupation with increasing one's own share of the cake may explain the tendency to overlook the possibility of co-operation within a trade to increase the size of the cake itself. Here, the way is being shown by a number of trade associations which have been helping their members to reduce their costs, and thus improve the competitive power of their industry as a whole, by organising the free and regular exchange of costing and production information prepared on agreed bases.

I know of associations where comparisons by members of their detailed costs and actual operation times have again and again led to reductions of costs which were shown to be high—often after the higher cost member had visited other members' factories to discover in what way he was inefficient. In practice, benefits are not restricted to high cost producers, as those with the lowest total costs are repeatedly enabled to reduce their costs for a particular operation or series of operations which are not as efficient as they should be. Apart from directing attention to areas in which there is need for improvement, such comparisons can sometimes also indicate to expanding organisations the sort of organisational pattern, performance and cost behaviour which can be expected as size increases.

Properly organised, the interchange of information is a continuing process which can do much to lower the costs and increase the competitive power of a trade. Unfortunately, these possibilities are not yet generally appreciated in this country, so it may be worth mentioning that in Western Germany, where inter-firm comparisons are being carried as far as the exchange of information about the organisation structures of members, the Government has felt it worth while to encourage them by meeting part of the cost.

Re-centralisation of control

One of the refreshing things about both the theory and practice of management is the way in which they evolve in response to new conditions. At the present time, for example, a number of large organisations on both sides of the Atlantic which decentralised their administration during the post-war boom include the strengthening of central control in their plans for further expansion. While it might be premature to accept these instances as forerunners of a new trend, they do provide evidence, too significant to be ignored, of the influence of certain factors making for centralisation of which the importance is likely to grow.

First, an increasing realisation of the complexity and interdependence of business decisions is forcing companies to centralise the long-term planning of capital investment, product development and research, thereby reducing local autonomy. The wisdom of this course is often confirmed when the very process of clarifying the basic assumptions about the future and expressing them in coherent plans discloses even greater complexity and interdependence than had previously been appreciated.

Secondly, there are the great advances in the theory and application of mathematical and statistical techniques to the solution of business problems at what might be called the tactical level. Thus, operational research teams working within a given framework of assumptions, which naturally reflect central policies, may provide extremely detailed plans for production, inventory levels, distribution, and the rest. In this way, central control is strengthened and the need for whole ranges of short-term local decisions is eliminated. This is a field in which developments obviously owe much to the use of computers and one in which their influence can be expected to increase over the next twenty years as we really put them to work.

Any justification for re-centralisation is likely to be welcomed at the top. For men who are tough, energetic and able enough to lead expanding organisations like doing so and have faith in their own direction. Many of them delegate only to the extent that there is no acceptable alternative. As planning techniques improve and the possibilities offered by computers are developed, they may therefore be expected to exploit the increasing scope for greater centralised control.

Developments in techniques thus make it essential to keep the organisation structure and planning arrangements under review. What was ideal last year is unlikely to be so next year and will certainly be capable of improvement in two years' time, as both men and circumstances change. Growing pains force recognition of this need and encourage the habit of reassessment; as a result some of our most progressive and efficient organisations have established traditions of periodical reviews of this sort. If carried out in a radical and irreverent frame of mind, backed by a keenness to exploit any new ideas from outside, such reviews represent an attitude and set a tone which are of the essence of expansion.

Conclusions

To recapitulate briefly, the more general conclusions of this short survey are that:

1. It is desirable to expand and usually dangerous not to do so.
2. Failure to expand may be masked by inflation.
3. Certain characteristics are common to expanding businesses—in particular, organised programmes for development in growth markets.
4. Expansion is often frustrated by bad delegation, resulting from failure of the top men to adapt themselves to the new conditions as their organisations grow.
5. Success demands:
   (i) a sensitiveness to current opportunities;
   (ii) the careful selection of objectives;
   (iii) sound planning.
6. The plans must provide for:
   (i) adequate managerial capacity—here the rate of technological change is posing new and serious problems of selection and training;
   (ii) the provision of a proper flow of financial and other information—here the use of budgetary control can be invaluable.
7. Taxation liabilities should be planned, and particular attention given to the effect of the provisions affecting new businesses.
8. The extent and form of expansion overseas are often governed by external challenges and political or taxation factors.
9. The information provided by interfirm comparisons may become increasingly important in assisting firms to expand by improving the competitive position of their industry.
10. The complexity and interdependence of business decisions and the emergence of new machinery and techniques to assist in making them, seem likely to lead to a strengthening of centralised control.

British and American Annual Reports—A Comparison

By E. Joe DeMaris, C.P.A., and Vernon K. Zimmerman, C.P.A.

It is as well to see ourselves as others see us, especially if they help us to avoid the besetting sin of complacency. The two American accountants who contribute this article pass some harsh judgments on British financial reporting. Their remarks may come as something of a shock to some in this country who are blinded by the recent great improvements made in a large number of British published reports and thus fail to observe how many others are lagging badly behind the standards of the best. At the same time, we feel that the authors were perhaps rather unfortunate in their sample of British reports. Colour and "journalism," charts and statistics, comparisons over a period of years, full information in the profit and loss account—practically all the features that they applaud in American reports—are now to be found in numerous British reports, especially of the larger companies. The omission of a trading account in this country is another matter, but the picture presented by the authors is not quite complete unless it is added that the separate reporting of turnover figures—annually, twice-yearly or quarterly—is a growing practice here.

IN THE EXAMINATION of published financial reports, one occasionally finds curious things in terminology, format, content and other ingredients. One singular event stimulated our present study: two separate reports were published by a large Dutch corporation with world-wide operations and affiliations[1]—one was designated as an English edition and the other as an American edition. Here there certainly appears to be a reporting *curiosum* among the hundreds of financial reports issued each year. What could prompt the publication of two reports in the same language about the same financial facts? Are there really such differences in American and British financial reports that one report would not satisfy the needs of both American and British investors?

Has not professional accounting attained a high standing in both nations in terms of accounting principles and standards of financial reporting? Both countries have contributed much to the development of accounting; each has drawn upon the other for ideas and techniques. One might surmise that reporting similarities would considerably outdistance the differences; yet one large international corporation found it desirable to publish at additional expense both an English and an American version of its financial results.

To resolve, if possible, some of the interesting questions prompted by these dual reports, fifty reports of British and American companies were examined in some detail. The table summarises data describing some of the characteristics of the reports examined.

Source and Nature of the Sample

The British reports were secured from the London Stock Exchange in response to a request for representative copies of British annual reports for the year 1957. There was no attempt to secure reports of businesses of a presumed typical size or a representative cross-section of British industry. These British reports were all prepared by public companies. (For the benefit of American readers it may perhaps be mentioned that the public company, as distinct from the private company, has no upper limit to the number of its shareholders and can make public offerings of shares; further that although the public companies represent only 5 per cent. of the total active British companies, they account for nearly two-thirds of the total capitalisation.)

The American reports were selected in a random fashion from the many copies of annual reports circulated by American businesses with widely-held stock ownership.

Interesting Features of British Reports

The table dramatises one of the striking contrasts between British and American financial statements—absence in the British of sales figures, cost of sales figures, and figures of operating expense. Consequently, the profit and loss account, the British equivalent of the American

[1] *Philips' Gloeilampenfabrieken*, an electrical equipment manufacturer ranked eighth among the 100 largest foreign industrial corporations, according to *Fortune*.

COMPARISON OF SELECTED FEATURES OF BRITISH AND AMERICAN ANNUAL REPORTS

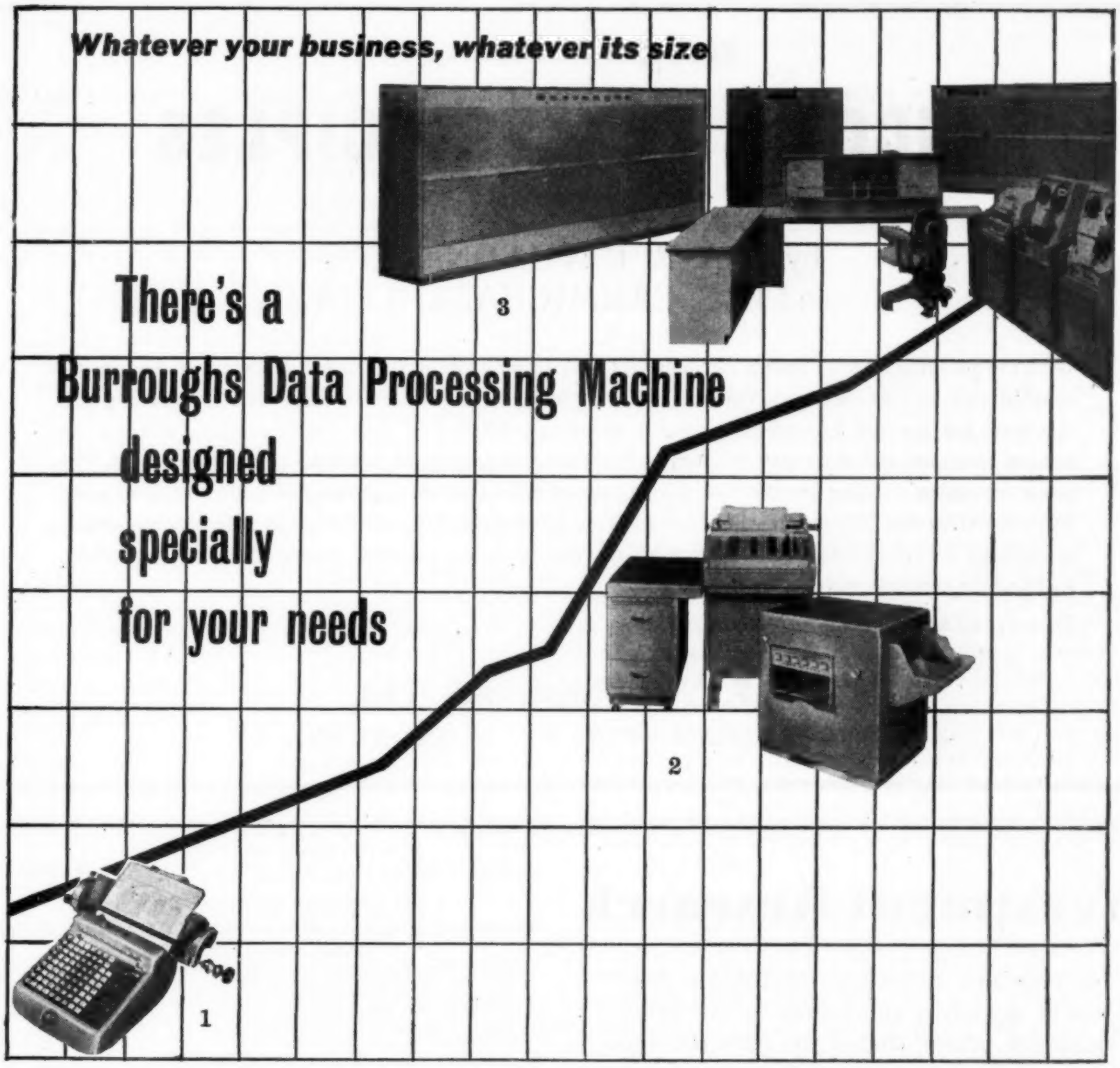
Nature of Business	*Number of Companies*	*Average Gross Assets**	*Average Gross Income**	*Average Length of Report*	*Average Pages of Fin. Infor.*
		(*$ million*)	(*$ million*)	(*pages*)	(*pages*)
British Companies:					
Foods and Food Processing	6	31.4	†	14	7
Steels and Steel Products	4	73.1	†	13	6
Insurance	3	1154.2	235.4	23	14
General Manufacturing	4	33.6	†	12	7
Construction (Building)	2	19.6	†	22	7
Electrical Equipment and Service ..	2	62.4	†	20	8
Chemical	1	23.8	†	18	9
Publishing	1	57.1	†	16	6
Not Determinable	2	44.8	†	12	7
TOTALS (or Averages)	25	177.0	‡	16	8
American Companies:					
Foods and Food Processing	6	132.4	250.1	18	6
Steels and Steel Products	4	154.2	235.5	15	7.5
General Manufacturing	4	91.4	104.5	23	8
Department Stores	2	135.7	173.7	15	7
Airline Manufacture and Transportation	2	297.4	440.3	26	7.5
Paper and Associated Products ..	3	344.5	272.2	27	10
Motion Pictures and Radios	2	146.2	163.6	27	7
Publishing	1	96.3	202.7	26	13
Beverages	1	269.5	†	17	5
TOTALS (or Averages) ..	25	173.8	226.4§	21	7.5

* The amounts shown for British Companies were converted to American dollars at the rate of exchange of one pound to $2.80.
† Information not given.
‡ Average omitted because only 3 of 25 companies reported gross sales.
§ Based upon the 24 companies reporting gross sales.

income statement, begins with what is usually designated as the trading profit. From the trading profit ordinarily only one significant figure is taken into account before arriving at net profit—the amount for profits tax and income tax. In American income statements the other items involved in the net profit calculation would usually be included in the other income and expense section. However, the British profit and loss account usually approximates the American income statement in length, for two reasons. One reason is that certain information required by the Companies Act of 1948 is usually shown "short" (as Americans would say) within the profit and loss account because these categories have already been deducted in the computation of the trading profit. The required information includes the amounts for depreciation, directors' remuneration and the annual audit fee. The category, directors' remuneration (or "directors' emoluments," as it is sometimes called) is often supported by a note detailing the composition of the remuneration as between managerial services and director services. The other reason for the length of the profit and loss account is that in content it is closely akin to what is described in American accounting sources as the combined income and surplus statement.

Many terminological and other differences in British reports are instantly apparent to the American reader. In themselves these differences are not of material import, but in total they are illustrative of a different financial background. Under the fixed assets category were found such accounts as "loose plant and tools." In one report an account title, "loose tools," was listed both as a fixed asset and as an expense. Another report itemised an expense of nearly $120,000 with the bare description "centenary expenditure of subsidiary." In the total capital employed section of one balance sheet a sizeable amount, labelled "future taxation," was added to shareholders' funds to arrive at the amount for total capital employed. Included as a current liability on most of the British balance sheets examined was a "proposed final dividend." The dividend would be subject to approval by the stockholders at the annual general meeting held after the issuing of the financial report. It is recognised that the British practice stems from an obligation of the Companies Act of 1948, but it is to be noted that in the absence of a legal declaration such an item would not be shown in American reports.

As noted in the table, the reports of two British companies could not be classified by nature of industry because it was undeterminable. For several other companies, it was only after careful scrutiny that the nature of the business was revealed. Is it a fair inference from these few examples that British reports generally are not in-


Whatever your business, whatever its size
There's a
Burroughs Data Processing Machine
designed
specially
for your needs
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1

tended for wide public circulation and that their potential public relations value has not been widely recognised?

Interesting Features of American Reports

In direct contrast to the frequent difficulty encountered in determining even the general nature of the business activities of the reporting British concerns, it is impossible for the reader of an American report not to know what the business does. Indeed, the reader of the American report is apt to have the products of the concern enumerated, charted, pictured, and literally consumed by happy customers before his very eyes. Easily the most impressive feature of the American reports examined was the "high-style" of journalistic effort. Without evaluating the ultimate success of this treatment, the polished hand of that portion of American society characterised by the terms "Madison Avenue," "hidden persuaders" and "gray-flannel suit" is unmistakably evident. In addition to its role as a report of past operations, the American report is obviously prepared to double in a salesmanship role.

In addition to this obvious difference in the planned role of their financial reports, British and American reports vary in certain specific areas. In contrast to the accepted British practice, American reports do include totals for gross sales, net sales, cost of goods sold, and the gross trading profit of the accounting period. The diffidence of British management about reporting firm operating statistics which would allow the external determination of important statistical measures of activity is apparently not shared by their American contemporaries. The inability to determine such important financial measures of business activity as the operating ratio or the trading on the equity gain or loss would seem to place possible British financial analyses below those conceived as minimal in the United States.

Specific items of income or expense, such as directors' remuneration, were seldom presented separately in American reports, as contrasted with British practice. In the American reports all incomes and expenses were generally reported within the "multiple-step" income statement format. Those operating statistics considered to be of specific significance—such as earnings per share, dividends per share, total assets and book value—were almost always presented in "spotlight" fashion on the first page of the American reports. A similar capsule presentation of operating information was not noted in any of the British reports examined.

A significant feature of the American reports, which corroborated the impression mentioned earlier of their designed salesmanship role, was their greater length (an additional five pages) without any increase in the number of pages devoted to financial information in the stricter sense of that term. Of the American reports examined, an average of 7.5 pages of the average 21-page report was devoted to financial information, in contrast to the average British report, in which on average 8 of a total of 16 pages were devoted to such information. Even so, a comprehensive review of the financial information in both British and American reports leaves the unmistakable impression that American reports paradoxically provide more financial information in slightly less space than do British reports.

The utilisation of appealing colour photographs and charts, as well as an obviously public relations-minded text, were characteristics of the American reports.

Possible Explanations for Differences Noted in Financial Reports

In considerable degree, differences between American and British reporting practices may be explained by differences in the antecedents of reporting in the two countries. American accountants probably are aware in a general way of the British Companies Acts which have provided an "umbrella" of protection over the prerogatives of the British accounting professional for over 100 years. The United States has never had laws which can be considered as very close counterparts of any of the Companies Acts. But there are a number of Federal laws which have given American accountancy a legal basis and have no doubt influenced accounting standards and procedures. There are many Federal laws in what might be called the "common carrier area"—beginning in about 1906 various laws have prescribed uniform accounts and reports for those fields "affected with a public interest." Of considerably more significance and impact upon the American accounting profession itself are the various Federal Income Tax enactments, the Securities Acts of 1933 and the Securities Exchange Act of 1934. Since it was organised, the Securities and Exchange Commission has exercised wide influence over corporate accounting in the United States.

The Commission has wide powers in the area of financial disclosure. In the exercise of its prerogatives the Commission has examined thousands of financial statements of corporations with securities listed upon stock exchanges. Its basic objective is to ensure that prospective investors in corporate securities obtain sufficient accurate information to make reasonably sound judgments on the value of the security offerings. This is an important function, and improvements gained as a result have undoubtedly raised the whole level of accountancy standards in the United States.

In Great Britain the passage of the Companies Act of 1908 initiated a series of Acts calculated to guarantee to shareholders certain disclosures about the financial affairs of companies granted the privilege of limited liability. (The Act of 1844 and later nineteenth century Acts hardly went beyond the giving of limited protection to creditors.) Progressively, the requirements of disclosure imposed upon the companies and the powers of auditors were increased (though the last Companies Act does not require a trading account to be provided). But the British philosophy would appear to assume that with the supplying of certain prescribed information, a standard which all companies must meet, there will be adequate disclosure. If this is a fair statement of the British position, and it would appear to be, then it stands in some contrast

to ideas about disclosure in the United States. The Securities and Exchange Commission seems more interested in a flexible concept of disclosure which involves, in effect, a separate judgment on the facts of individual cases.

This conceptual contrast, a product of historical differences between the two countries, might account for the uniformity in British financial information and, insofar as the profit and loss account is concerned, what we would describe as a uniform lack of information. Yet it is not so easy to suggest definitive reasons why American reports provide such an abundance of financial information as well as other attractive features. The Securities and Exchange Commission does not directly prescribe the amount of information required, for example, in published income statements. It seems possible that the more complete "professionalisation" of a separate management class in the United States may account, in part, for the more open approach to the disclosure of financial information. Undoubtedly the journalistic styling of American reports clearly reflects, too, the hand of American salesmanship extended even into the figure-dispensing department.

Characteristics of Typical Reports

From the sample of British reports studied, a typical British financial report has the following characteristics:

1. The report format is generally colourless and stereotyped;
2. It may be difficult to determine the business activities of the reporting company;
3. Financial information for two years only is included in the report;
4. Arrangement and content of the financial statements are strikingly similar from report to report;
5. A balance sheet and a profit and loss account are presented;
6. The British profit and loss account provides a minimum of useful financial information.

From the American reports studied, a typical American financial report has the following characteristics:

1. The report format becomes visually challenging through the skilful blending of colour, photographs and original illustrations;
2. It is immediately possible to determine the major business activities of the reporting company from either the illustrations or text;
3. Financial information for at least the past ten years is presented;
4. The arrangement and content of the financial statements vary considerably from report to report;
5. A balance sheet, an income statement and a surplus statement are presented;
6. The auditor's certificate is accorded a prestige position in the report.

Conclusion

Whatever the explanation for the differences in motivation behind American and British financial reports, these differences appear to come to their sharpest focus in the area of report format. The conventionality of British reports suggests a routine compliance with long-established reporting duties. In contrast, American reports appear to be largely unbound by conventions; the motivating factor which predominates seems to be the will to make the best of an excellent opportunity for good public relations.

Last month the Chest and Heart Association held a one-day conference at the Royal Festival Hall on "The Health of Business Executives." A galaxy of eminent physicians and surgeons spoke. Our article is based on the addresses given at the conference.

Take It to Heart!

IN THE YEARS since the war the health of business executives has been increasingly discussed, at first in the context of jokes about peptic ulcers, and recently in a less lighthearted framework of references to coronary thrombosis. There have been reports of businesses organising periodical medical examination of their senior men: there may well be more, following on the conference last month.

Any danger that general discussion of the problem may produce executive hypochondria is more than offset by the savings in efficiency that preventive medicine can effect if given a proper chance. But it is still worth remembering that executives have no monopoly of stress-complaints—doctors themselves are also sufferers and, in quite another age group, undergraduate suicides have been reported as increasing. Also, it has to be remembered that for many, perhaps most, people, stress is the spice of life—and many, perhaps most, executives are extremely fit; if they were not they could not have reached their present positions.

On the other hand, a great many of

them work harder than they should. Some of them do so because they are obsessed by work, some do it to escape from other stresses (how many men stay late in the office because their doméstic life is unsatisfactory?), and some because the job is too big for them and they are endlessly struggling to catch up with it; it is not easy for anyone to refuse promotion (or indeed to acknowledge inadequacy for the next job up), but there are times when it is very wise to do so. Whatever the real cause of the overwork it needs no research to demonstrate that it is bad for the individual and in the longer term for his employer too: "he worked himself to death" is a too familiar epitaph.

The connection between stress and the ailments it produces is not easy to explain: the interaction of mind and body is only beginning to be understood. But that much illness is psychosomatic is a matter of common experience, and the asthma of thirty years' standing that cleared completely when the patient's interest was diverted by her broken leg is an example different only in degree from the duodenal ulcer produced by worry or fear.

The opportunity that management has to look after what may be called the capital asset of its executives' health is fairly severely restricted; the individual will always have the last word on his own fitness. But there are one or two points that deserve management attention. That men should not be promoted above their capacity is a matter of basic efficiency, quite apart from the health aspect, and hardly needs stating: but a great deal more could be done in many businesses to organise work and to define responsibilities, so as to avoid the confusions that cause wrong promotions and at the same time add to the harassment of the men promoted. That holidays are adequate, and are taken each year, is a responsibility of management that has been recognised for many years: four weeks may well be the minimum for a man carrying heavy responsibility, and it is arguable that three weeks of it should be taken at a stretch. Periodical medical examination, mentioned at the beginning of this article, is a newer idea: the importance of early diagnosis can hardly be overstated.

New too, and still quite unrecognised by far too many businesses, is the problem of concentrated travel. Far too many men who travel abroad on business know how unsympathetic are their non-travelling colleagues, regarding oversea missions as pleasant escapes from the rigours of the English climate, instead of the exhausting marathons of excessive hospitality, changes of climate, and accumulating work at home that they so often are. It is an ultimate economy, not an extravagance, to arrange for executives going abroad to have a day off on arrival, and occasional time off for sightseeing; to try to keep them to an eight-hour day and a five-day week during the trip; to see that they have four days off after they come home, before returning to the office. And although there is no present possibility that the Inland Revenue will permit wives' travel to be "allowed" with their husbands, except insofar as their journeys are directly in the interests of the business, it is so desirable from so many points of view for wives to go with their husbands on some of their foreign trips that enlightened management will often be prepared to foot the bill.

The executive himself can do more for his own health than his employers can do; and the rules he should observe are of course much like those of good health generally.

He should resist the temptations to obesity that expense account living offers him: overweight is bad both in the brake it exerts on ordinary efficiency and in the encouragement it gives to a whole range of consequential ailments. Diet and exercise are both important, diet because overweight is the result of overeating (and drinking—alcohol frees calories for fat-building), exercise both because it can help in checking overweight (despite the current opinion that it does not!) and because it helps prevent such sedentary ailments as backache, general physical slackness and depression. Brisk walking is as good exercise as any; a "car on the firm," on the other hand, is a net addition to executive stress!

He should remember (if his employers have not already arranged it for him) to have a regular medical checkover; to do so is not to betray hypochondria, it is rather to carry out intelligent maintenance of a machine much more important to him than his car. (Racehorses are usually much better looked after, medically, than company directors.) He should cut down his smoking, if he smokes too much—certainly if he has a smoker's cough; whatever the connection between cigarettes and lung cancer there is no doubt that smoking makes bronchial conditions worse. Bronchitis is known on the continent as the English disease, but that is no good reason why the Englishman should accept it as inevitable—and of course there are more serious respiratory diseases behind simple bronchitis.

If he has high blood pressure he need not regard it as too serious (arteries are more important—a man is as old as his arteries), but he should seek intelligent relaxation, he should avoid sudden strenuous exercise, and he may need sedative treatment: alcohol in moderation is the oldest and not the worst. In all these matters he should avoid self-medication, especially the regular use of any drug, and perhaps most of all the tranquillisers that have swept the United States and promise to follow suit here. And if his doctor tells him he should have an operation he must not indulge in the ingenious evasive tactics that so many adopt when operation is advised; the sooner the operation is performed the less serious it is likely to be—and go for a holiday before it, to get exercised and fit.

The moral of all this is plain enough: the Greeks had a word for it—moderation in all things. It was perhaps disappointing that so eminent a medical gathering as that assembled on the platform at the Festival Hall in November could not give us more specific guidance on such problems as the permissible intake of alcohol or consumption of cigarettes, but their general counsel of moderation cannot be faulted.

Economies Need Not Be Expensive!

Red Bar Rounding Up

by David C. Rogers, A.C.A.

OFFICE EQUIPMENT manufacturers and retailers seem to supply a daily assortment of pamphlets to every office, holding out the assurance that a demonstration will suffice to persuade the doubters that a purchase will save both time and money. If economies are to be grounds for an order, however, the executive has to be satisfied that he will have saved enough to pay the running costs of the installation and to cover the asset value in depreciation before the inevitable further supply of literature convinces him that a new and even better installation is essential. This battle results in many improvements; but there remain tiresome procedures, especially in the accountancy field, not suited to mechanisation, which are quite uneconomic in terms of effort. These warrant examination with a view to reorganisation. In the profession time represents fees, in commerce it represents profit more directly. Elimination of duplicated effort saves half the time previously taken, yet how often the drudgery that was once considered essential to training is still accepted without question in spite of the waste of time and the undermining of morale! Reform is often possible from within and need not involve initial expense.

Included in my work has been the preparation and submission of urgently needed monthly accounts, with supporting schedules and analyses, to a Board. Commitments other than pure accountancy have aggravated the time factor, as they so often do—and some inventions are the offspring of necessary speed. What I am chiefly concerned with here is a means to prepare and agree a four-column trial balance in pounds, shillings and pence, and from the same figures to transfer whole pounds only to the accounts for submission. The operation of rounding up into whole pounds is completed without in any way altering the figures, and thus the casts can be checked either in full or in pounds only at any time thereafter. The practice, which has been successful in the trial balance, is equally applicable to any schedule or list that is drafted including shillings and pence but ultimately used, either for extraction of detail or for typing, in round figures.

Strips of paper stuck over columns to show the pounds for typing and drafts with crossed-out shillings and pence, odd pounds being added on here and there, are both uneconomic methods in terms of effort and absolute invitations to the occasional mistake. The paper slips become detached or, worse still, poor alignment causes errors in extraction and typing. The actual re-writing of the figures on the slip is in itself a waste of effort. The alternative of altering the figures destroys the original casts. The use of round pounds from the trial stage probably eliminates the copying of as many as two characters at least once in respect of every amount.

By the use of sixteen-column analysis paper for the four column trial balances I had already avoided the re-writing of the narrative column every month, and in three months out of four the cumulative ledger and adjustment data for the previous month were visible in a most convenient form. Extraordinary variances were thus apparent immediately even at this stage and, when differences arose, comparison of equivalent columns for the current and previous months would usually reveal items on the wrong side and often assist in locating other errors of a more complicated nature.

Transferring the balances including shillings and pence was a clear waste of time, especially as the figures for the month were to be arrived at by deduction of the previous month's cumulative totals. To ensure accuracy in the results it would have been necessary to carry out the secondary operation in pounds, shillings and pence as well as the primary transfer. I was able to evolve a simple method of avoiding this and still be certain that the net profit would be correct to the nearest pound, both for the period to date and for the current month. Rounding up any list of amounts involves precisely the same procedure, but included in the examples is a summary of a trial balance to demonstrate the lack of complications arising in balancing to a net figure.

The shillings and pence of any column must first be examined to determine whether or not there should be a mark-up of the pounds, and if so how large a mark-up. Where summarised lists or sub-totals are concerned it is essential that the final total be examined first. In every case where for the shillings and pence there is to be a mark-up a red ink bar is placed under the position of the units digit of the pounds column. This bar is to be counted as one in casting the units column and is to be added to the pounds in extracting rounded-up figures.

Every accountant will have found for himself practical aids to selective scrutiny of figures. In searching amongst similar amounts for, say, £2,249 –. 9. the eye is directed to the shillings column, and until a blank is found no other part of the column need be examined. Particular marks, colours and figures can be used by the eye in the same way as the machine sorter of punched cards sensitises on positioning of holes. (It is unfortunate that the red bar is reproduced here in black; an experiment with colour will readily prove its advantage in training the eye.)

In Example I the total of the list to the nearest pound may be taken as £32. The shillings and pence cast to 44s. 5d. and it will be accepted that two items in the list must be counted

EXAMPLE I

Before Marking			*After marking*		
£	s.	d.	£	s.	d.
1	10	–	1	10	–
2	13	3	2	13	3
4	3	3	4	3	3
17	12	4	17	12	4
6	5	7	6	5	7
32	4	5	32	4	5

up. Selection of appropriate items will be made so as to disturb significant amounts as little as possible, and once selected they will be marked with red bars in the manner already described. After marking the pounds can be cast: 1, 3, 4, 8, 25, 26, 32. Ignoring the bars the full cast remains undisturbed. After some experience £17 is actually seen as £18 when extracting round figures. The use of red facilitates selection: these marks are accepted or rejected by the eye as desired. Some mistakes in placing the bars are inevitable, and crossing them out would be rather like crossing out a full stop—resulting in something resembling only a bigger full stop. As the bars are in red, however, mistakes can be corrected by overmarking in black, and it will be found that bars so cancelled cease to be noticed in the process of selection. Again, the effectiveness of this will be proved by experiment.

The decisions involved in Example II, working as is essential from the final figures, are:

(*a*) The net and profit figures will count up and therefore be taken as £20,362, that is £20,363.
(*b*) In the *Balances Statement* pound unit columns, 8 from 1 yields 3, and as the shillings are low in both cases no action is needed in the sub-totals.
(*c*) First column shillings and pence total 23s. 7d. One extra pound needed, mark up the 15s. 3d.
(*d*) Second column shillings and pence total 28s. 5d. Mark up the 10s. 2d. (It will be noted that marking up an item where there are no pounds causes no difficulty.)
(*e*) In the *Profit and Loss Account* columns both sub-totals may be counted up.
(*f*) First column casts to 16s. 3d. Select an amount to mark up (say the 3s. 2d.). Whole pounds cast to £20,879, that is £20,880.
(*g*) Second column casts to 51s. 5d. and the total is to be counted up. Select three items—12s. 7d., 14s. 9d. and 17s.

A refinement of the method is facilitated by the use of bars that can be cancelled. Where small amounts are involved it may be more accurate to cancel one marking on each side of a balance than to mark up an unsuitable item. The possible detail of the profit and loss account columns of folio 2 in the trial balance summary is set out in Example III. By overmarking in black the bars in £850 16s. 4d. and £1 7s. 2d. the net profit will remain undisturbed at £20,363. The inflation of £1 7s. 2d. on the

EXAMPLE III

	£	s.	d.	£	s.	d.
	115	13	8	1	7	2
	60	19	6	11	18	3
	850	16	4	1	2	6
	18,000	–	–	1	4	8
	5	2	–			
	12	11	7			
	386	–	1			
To summary	19,431	3	2	15	12	7

credit side by 12s. 10d. (nearly half) will have been avoided without altering the debit item by a significant proportion. The net figures will be undisturbed, of course, only so long as equal cancellations are made on both sides of the same balance. A "contra" overmarking of one

EXAMPLE II

Final stages of a summarised Trial Balance

Fo.	*Balances Statement*						*Profit and Loss Account*						
	£	s.	d.	£	s.	d.	£	s.	d.		£	s.	d.
1	500	2	3	374	13	7	1,127	5	10		45	7	1
2	27,644	15	3	—	10	2	19,431	3	2			12	7
3	32,716	3	11	203	4	8	170	4	3		41,000	14	9
4	80	2	2	40,000	–	–	151	3	–		180	17	–
	60,941	3	7	40,578	8	5	20,879	16	3		41,242	11	5
	40,578	8	5								20,879	16	3
	20 362	15	2 (Net)							(Profit)	20,362	15	2

balance sheet item and one profit and loss account item would change the net profit or loss by £1. It would also complicate the finding of any error in transferring the round figures to the accounts, as both the real amount of the error and its location would be in doubt.

Considerable further saving of time is possible if the carry-forward to the units column of the pounds is noted when making the original casts. The number of bars required will be the carry-forward, with one extra should there already be a bar in the total. In long casts it will be well worth while to avoid the duplication of effort to arrive at this carry-forward. I have found it quite safe to dispense with any check of the pounds column after marking up when working with carry-forwards noted in this way. Some alterations are inevitable in draft figures before the results can be finalised. Once the trial has been inked in and marked up, adjustments can best be effected on the summary, where they can be made in full and subsequently rounded up in the usual way. These adjustments will be followed clearly if referenced to the appropriate folio of the ledger or the trial. Inking in, which should precede marking up, can also be completed in spite of a difference: this can be dealt with as an adjustment when traced.

Most of the potential value of the method described arises from the fact that the resultant marked-up figures can be interpreted without difficulty by all levels of staff including the typing pool, the only instruction necessary being that, in dealing with rounded-up pounds, a red bar under the position of the units digit of the pounds column increases the item concerned by £1. To ensure complete accuracy only the staff concerned with the actual marking need have a clear understanding of the principles involved.

After two years' successful application more recent extension to schedules for typing has been so satisfactory that "red bar rounding-up" seems to deserve more general application in other offices—whose budgets would profit both in initial and in running expenses.

Accountant at Large—at Christmas

The Spirit of Accounting Future

IT MAY HAVE been the Christmas dinner or the heat of the room or perhaps it really was a vision. . . .

Sitting in a voluminous armchair, I was thinking drowsily, as one does after a satisfying meal. The smoke from my cigar curled slowly upwards. I was wondering about the future of my profession, dreamily pondering what the years ahead might hold, when I realised that I was not alone.

The spirals in the cigar smoke were taking shape. The shape had evolved a head and body. It was a little man, bespectacled, wearing flowing Eastern robes, surmounted by a bowler hat.

He bowed low, sweeping his bowler behind him in an eloquent gesture.

"Your slave," he announced in the best traditions of his calling, "the Spirit of Accounting Future, I come to show you the year 2000."

I said nothing. Dim recollections of Aladdin (or was it Ali Baba?) sprang to mind. I knew one did not argue with a genie.

"Remember," he began, settling himself on the arm of the chair, "the progress you have seen in accounting will not only continue, it will accelerate. It is rather difficult to know where to begin. Many of the terms used in fifty years' time will be new to you, but I will try to make it simple."

He drifted sideways slightly in a draught, then continued, "With the dawning of the electronic age, in the middle of the twentieth century, the tendency was to reduce the size and the cost of electronic equipment so that every concern could benefit. However, the most effective machine was always too expensive for the average single business of those far-off days. So that concerns, quite naturally, began to band together in sharing accounting facilities, without losing their separate entities.

"The Government of the time thought this was a good scheme, and encouraged it, even setting up area offices equipped with high potential equipment to deal with all the routine accounting operations of the concerns in the area which wanted to join in. Each business sent its primary documents to the area accounting centre, which tabulated and analysed the information in every conceivable way and sent back detailed statistics and lists of balances."

The genie paused, peered through his spectacles to see if I was following, then continued. "In time the growth of the system called for a uniform method of presenting material, so all forms were standardised about the year 1970. Filming and televisual links were introduced so that the information passed automatically. The system was helped by the introduction of the decimal monetary system and a standardised calendar of accounting periods in 1975.

"Naturally, there were many objections to the system. Many long debates were held in the House about it. A Royal Commission was set up. A standing committee of the Institute of Chartered Accountants was formed. But by 1980 the majority of concerns, not having facilities of their own, had joined the scheme. Even the largest units found that, having adopted the standard forms, it was cheaper to allow the area accounting centre to do the computing, since the State subsidised the cost of the complex plant."

He paused again, drifted rather wispily sideways, then continued. "Eventually the stage was reached when the area centres were acting as bookkeepers for the nation. Then a new phase began. With all the information in the hands of the centres it was far simpler for payments between businesses to be made by adjustment between centres than for each concern to make its own arrangements through the banks. Thus the accounting centres began a second function as clearing house for balances due from one business to another.

"This development continued until by 1984 all that a concern did on effecting a sale was to pass the details on to the area centre. The transfer of cash into the bank account of a business was almost immediate—and so was the charging for purchases."

The genie looked as if he had done.

"But wait a minute," I cried, hurriedly sitting up in my chair and causing him to waft upwards, "you've hardly told me anything. What about costing. . . ."

"What you know as standard costs, budgetary control, marginal costs and the rest were developed by the use of new formulae and a new approach aided by the statistics turned out by the area centres for the businesses they served. Each concern was able to prepare optimum programmes for every set of circumstances. No self-respecting business would enter a market without knowing detailed profit ranges under every condition of trade for at least ten years ahead. This is the field in which accountancy developed. It was thus that we recognised the importance of the accountant."

He was disappearing fast.

"But I don't understand . . ." I began.

"Of course you don't," he countered, "in a few minutes even I cannot explain forty years of research, discovery and progress."

He was almost invisible.

"Before you go," I cried, "how can I be sure that all this happened?"

He smiled.

"You can't. You won't be there to see." And with a little puff he was gone.

A paper given at the Summer Course of the Institute at Christ Church and Merton College, Oxford, in July.

Accounting by Electronic Methods with Particular Reference to the Auditor

by J. W. Margetts, F.C.A.

I. Introductory

When businesses are small, proprietors can exercise effective management of all the aspects of the business by direct supervision and the accounting requirements are relatively simple. Accounting systems in such cases are largely directed to ensuring that the correct amounts are collected in respect of sales to customers, and paid for supplies and services, and to ascertaining at the end of an accounting period the profit or loss and the financial position of a business.

As businesses grow, proprietors can no longer exercise direct control and have to subdivide management responsibilities and delegate them to managers. With further growth the chain of management becomes longer and more complex, and "top" management finds increasing difficulty in ensuring that the organisation is functioning efficiently and that decisions are based on adequate information as to the position and progress of the business. Thus in due course it becomes necessary to add to the existing "financial" accounting system, stock control, costing, production control and budgetary control systems, and all the other accounting techniques which are generally comprised within the term "management accounting."

The growth in the size of business organisations, which is necessitated if full advantage is to be taken of large-scale production techniques, carries with it the need to account for, and to interpret for management purposes, a very large number of individual business transactions. The detailed procedure of recording, classifying and summarising such transactions is known as "data processing."

In recent years management has been faced to an ever-increasing extent with the problem of how the information it requires can be obtained at reasonable cost and sufficiently early to be useful. The answer has always had to be in the nature of a compromise. Even with the help of mechanised accounting equipment there were serious limitations to the speed with which vital information could be obtained, and additional speed could only be obtained at prohibitive cost. Management therefore had to accept that its information tended to be incomplete and to become available later than desirable.

Electronic data processing with its promise of phenomenal speed and accuracy has accordingly seemed to offer a final answer to the requirements of management for better information, more quickly and at lower cost, and it is not surprising therefore that a number of our large industrial concerns have shown such eagerness to take steps to adopt the new techniques.

II. Electronic data processing ("E.D.P.") equipment

The booklet entitled *Accounting by Electronic Methods: An Introductory Outline*, issued in July, 1958, by the Council of the Institute of Chartered Accountants in England and Wales, deals adequately and lucidly with the general operating features of E.D.P. equipment, and I do not propose, therefore, to give any very detailed description of the equipment in this paper. However, the following summary may be helpful:

(*a*) the central feature of E.D.P. equipment is the electronic digital computer, which I will refer to hereafter as "the computer." This operates on the basis of electrical pulses controlled by valves or transistors;
(*b*) the computer can only operate in accordance with the instructions given to it. Such instructions are given in the form of a "programme." This, together with the current information to be processed (the "input"), is introduced into the computer in the form of punched paper tape, punched cards or magnetic tape;
(*c*) the speed at which the electrical pulses can be generated is so high that the performance of the computer is normally limited only by factors outside the computer, i.e., the speed at which the information to be processed can be introduced and the information required extracted, and the degree of skill exercised in devising the computer procedures;
(*d*) the scope of the information eventually produced (the "output") is determined by the programme;
(*e*) the computer normally includes one or more storage units, where information can be stored pending further processing. Information can also be stored outside the computer on magnetic film or tape, or on punched cards;
(*f*) the computer can recognise only the presence of an electrical pulse or the absence of one. Thus it is convenient for the computer to operate on the basis of the binary system, under which all numbers can be expressed in relation to the figure 1 or the figure 0. A table showing the basis of conversion is included in the Institute's notes, and an example is given below showing how 183 is expressed in binary.

Conventional or decimal scale				*Binary*							
10^2 (100)	10^1 (10)	10^0 (1)		2^7 (128)	2^6 (64)	2^5 (32)	2^4 (16)	2^3 (8)	2^2 (4)	2^1 (2)	2^0 (1)
1	8	3	=	1	0	1	1	0	1	1	1
			=	128		+32	+16		+4	+2	+1
			=	183							

Mr. J. W. Margetts, F.C.A.

An alternative method of converting 183 for processing in a computer is by converting each digit into binary, allocating a group of four binary digits to each decimal digit. On this basis the conversion of the figure 183 would be 0001/1000/0011. This method of converting decimal into binary is known as "Binary Coded Decimal";

(*g*) the storage unit of a computer is divided into a number of locations, each capable of holding a "word" of information, comprising approximately thirty-six binary digits or twelve decimal digits (if binary coded decimal is used). A word within the computer can have three different significances. Firstly, it can represent a binary number and as such can be processed mathematically; in this respect £ s. d. is normally represented within a computer as binary pence. Secondly, it can represent a programme instruction; and lastly, it can represent information in coded form of either numerical or alphabetical significance;

(*h*) I have already referred to the fact that the computer is given instructions by means of a programme. Both the programme and the information to be processed are in coded form, represented by a pattern of holes punched into paper tape or punched cards or by a pattern of sensitised spots on magnetic film or tape. The answers produced by the computer will normally also be in coded form, which can then be converted by the appropriate output equipment into typescript if required.

I do not propose to attempt in this paper to deal with the question how the computer receives and processes the coded input, since this is a highly technical subject requiring a great deal of specialised study.

As I explain later, I do not consider that it is necessary for the auditor to acquire this very specialised knowledge in order to carry out a satisfactory audit.

Electronic computers were developed originally as mathematical aids for scientific and research purposes, and are greatly accelerating the rate at which research problems can be dealt with.

In a computer used for research purposes, however, the input, output and storage requirements are normally relatively small, and in order to adapt the computer to commercial applications it became necessary to develop ancillary equipment capable of the speedy handling of very large volumes of input and output and to provide additional storage facilities. The scope of the additional equipment required can vary materially for different types of applications and for the same type of application in different businesses, and the selection of the most suitable balance of equipment can be determined only after detailed discussions between the manufacturers and the users, having regard to the range of accounting and commercial tasks which will be required of the equipment.

Punched card installations can be obtained which incorporate electronic calculating equipment with a simplified form of standardised programme. These are very efficient for certain applications, but are not so versatile or flexible as equipment based on an electronic digital computer.

III. Applications

The nature and capacity of the E.D.P. equipment so far delivered to users in the United Kingdom varies so much that it is not practicable to prepare a summary from which any useful conclusions can be drawn. Very broadly, however, it is true to say that it is only within the last two years that there has been any appreciable flow of deliveries of E.D.P. equipment to users in the United Kingdom, and in the majority of cases the equipment is not yet on a fully-operational basis.

Applications for which E.D.P. equipment has been ordered cover the whole range of accounting procedures, including stock control, production planning, sales invoicing and automatic re-ordering procedures based on sales orders, hire rental accounting, sales statistics, and of course payroll.

There has been some comment and possibly some feeling of disappointment, or even disillusionment, that in a large proportion of cases the initial application has been the payroll. The point is often made that in most cases this was already being dealt with efficiently and that little if any saving of cost or improvement in management information is likely to result.

In my view, however, if one has in mind eventually building up an integrated system of accounting based on E.D.P. it is entirely logical to gain one's experience in the operation of E.D.P. with an application where the requirements can be readily defined and where initial teething troubles should be capable of being remedied without causing undue dislocation to the normal operation of the business. In addition, a payroll application would normally go beyond the mere calculation of the wages payable and would also provide, *inter alia*, wages analyses for costing purposes.

IV. Considerations affecting decision to adopt E.D.P.

With the rapid developments taking place in the design and construction of E.D.P. equipment, there is a natural feeling that it might pay to wait until some measure of standardisation has been reached. Delivery dates tend to be some way ahead, however, and a great deal of preparatory work has to be undertaken before a business is ready to use E.D.P. equipment. Many large organisations, which are already embarrassed by difficulties in dealing with an enormous volume of small transactions and extracting therefrom the information they require, are satisfied that it is only a question of time before E.D.P. equipment will amply prove its worth and that in the meantime they can usefully gain valuable know-how.

The purchase of E.D.P. equipment in such cases is not based on a calculation

of comparative costs for carrying out similar operations, but on a conviction that E.D.P. when fully developed can and will revolutionise the whole basis of preparation of accounting and commercial information, and in the process provide management with an invaluable aid.

There may well be cases where a decision is taken to transfer a large routine operation to E.D.P. with the view to realising an ultimate saving in cost. In the process of transfer it is likely, however, that the opportunities which will arise for obtaining additional vital information will result in an extension of the application, so that the direct savings originally anticipated do not mature. It is to be anticipated, however, that in their place indirect savings from increased efficiency should arise.

There is of course the danger that exists in all large-scale organisations—that with the ability to supply information there will grow a demand for information which is not strictly essential. To counter this particular manifestation of Parkinson's Law I think it is important that in every organisation there should be a person, possibly the head of the O. & M. division, who regards it as a main objective to keep under constant review all information supplied and requests for new information, and to eliminate any which cannot be proved to him to justify its cost. Information is not only expensive to produce, it is expensive to distribute, expensive in the time occupied by the people who receive and examine it, and in the accommodation required and time taken in filing it away.

In this connection, under most existing accounting systems, a considerable amount of time is spent in examining information produced in order to detect matters which require management action. It is to be anticipated that with the use of E.D.P. the technique of "management by exception" will be more widely adopted. E.D.P. is particularly suited to this procedure, since instructions can readily be incorporated in any programme to print out only such information as does not fall within prescribed tolerances and therefore requires management action. Thus in a hire-purchase application it would normally only be necessary to print out information in respect of balances which were overdue by a specified period.

Where management policy in regard to any particular aspect of the business can be reduced to a set of rules which can be applied to a known range of circumstances, E.D.P. can itself take routine management decisions. A typical example is a stock control system under which the computer would be given minimum re-ordering levels and the amount of the normal replenishment order, and would be programmed to print out, whenever a stock balance falls below the minimum level, the appropriate replenishment order. As a refinement to this procedure it would also be possible, if considered desirable, to programme the computer to determine the size of the replenishment order by reference to usages over a specified period.

The installation of E.D.P. is a major step and, whatever the governing reasons may be, it is essential that proper consideration should be given to the matter before a decision is taken, and that the Board of directors and senior executives should be satisfied that the decision is right.

In practice the method by which this is done varies considerably. Normally a committee of executives would be appointed to consider and report, but this task might be delegated to the executive responsible for organisation and methods (if this position has been created) or to the financial controller or chief accountant, assisted by senior members of their staff. The services of specialist professional advisers might also be obtained to assist the executives concerned.

If it has been decided that there is a basis for the employment of E.D.P., the next step would be to consider and recommend the type of equipment most suitable. This is normally a more lengthy process, since the executives concerned have then to learn a great deal more about E.D.P., in the course of which they would find the various types of courses run by the manufacturers most helpful.

The committee would also have to define fairly closely the applications for which E.D.P. would be required so that they and the manufacturers can determine the nature and capacity of the equipment necessary.

V. Preparation for E.D.P.

A long period of training and preparation is necessary before a company can be ready to adopt E.D.P., and this can be initiated as soon as a decision has been taken to proceed, without waiting for the order to be placed for the specific equipment. Such preparation will include the following:

(*a*) deciding which application is to be adopted first;
(*b*) selecting and training staff for systems study and programming;
(*c*) deciding what information is required and the revised procedures necessary to enable such information to be obtained. It will normally be necessary for this purpose to make a close study of the existing system so as to ensure that the necessary changes are reduced to a minimum;
(*d*) drafting the necessary documents and instructions to bring about the modifications to procedure necessary to produce the revised information required and to ensure the most efficient flow of relevant, accurate and legible information to the E.D.P. equipment. It would also be necessary to adopt a logical and uniform system of coding information throughout the organisation;
(*e*) producing in appropriate form exact details of the future operational plan, bearing in mind the desirability of keeping computer operating time to a minimum;
(*f*) selecting and training staff for operating the E.D.P. equipment;
(*g*) arranging for the housing of the equipment and for meeting any requirements for cooling and voltage regulating equipment which may be necessary;
(*h*) preparing and testing the programme.

The form of the future operational plan referred to in (*e*) above will vary according to the temperament of the person producing it. Some people can best follow the procedure when it is shown in the form of flow charts and flow diagrams, whereas others prefer to write the operations down in sequence ("job specification"). However it is done it is essential that the whole procedure should be reduced to paper in either of the forms mentioned. Even where the "job specification" procedure is adopted, a broad over-all flow chart can be very helpful in enabling a quick appreciation of the procedure to be obtained in broad outline.

The computer will do exactly what it is told—no more and no less—and it can select alternative procedures if told when to examine the possibility of alternatives, and how to select them. In preparing the programme — which comprises the manual of instructions to the computer —one has to bear in mind that one is dealing with an automaton which has not the faintest spark of intelligence and which can only respond to single instructions in sequence. This is the reason why programming is such a lengthy and difficult business, although certain techniques have been developed whereby the computer itself can be told to repeat a series of instructions which form a regular pattern.

The construction of programmes is a specialised subject for which whole-time training is required for periods of three months or more. It is not until one con-

siders the problem of preparing a programme that one realises how much detailed initiative one can rightly assume even the least intelligent clerk will exercise when given a broad instruction, but which one cannot expect from the computer.

It is normally undesirable to be too ambitious in one's first applications in E.D.P. There are, on the surface, very good reasons when one is planning an application to look ahead to future applications and endeavour to include requirements in anticipation of such future applications—all designed to facilitate a future complete integration of accounts. In practice, with inexperienced staff and with an entirely new method of accounting, the initial application will be difficult enough without trying to provide for all the refinements that might be desirable in the future. It is often thought preferable, therefore, to deal with initial applications on their merits, and to defer to a later stage consideration of the additional steps which would be desirable to facilitate complete integration. It is also preferable to process information in stages by a number of relatively simple programmes rather than to endeavour to achieve too much in one intensely intricate programme.

I think I should add that in the preparation stage it is normal that there should be regular discussions with the manufacturers. On detailed investigation it may be found that the procedure originally envisaged for the first application requires to be modified, and this may well entail some modification to the equipment. Both user and manufacturer benefit from close co-operation at this stage, since such co-operation should reduce initial running-in problems to a minimum.

There is one further matter which I should mention at this point. Whilst the preparation period may be difficult and arduous, the cost of it should not be debited wholly against E.D.P. In so far as the proposed introduction of E.D.P. entails an exhaustive and critical examination of the existing system—one could justly call it an agonising re-appraisal—and such an examination is followed by modifications to improve the system, benefits will arise which could have been obtained whether or not it was to be followed by E.D.P. There are many businesses not contemplating E.D.P. which could profitably carry out such an examination.

VI. System of internal control

At the preparation stage and before the detailed programming is completed, it will be necessary to consider the whole system of internal control relating to the particular application to be adopted and to ensure that adequate checks and safeguards are available against fraud and error.

The consequence of errors going undetected in an E.D.P. installation could be so serious that a company does not normally require any pressure from the auditors to incorporate adequate checks.

At the stage where the proposed system of checks is to be considered and agreed, it is in my view essential, in order to avoid possible difficulties at a later stage, that the auditor should be consulted. There will be no conflict of interests at this stage since those of the company and the auditor are identical—that the system of checks should be adequate. The only differences which could arise would be as to the nature and scope of the checks required.

There is a large variety of checks available in an E.D.P. installation, normally so many that the main difficulty will probably be in determining the right balance of checks having regard to their cost in computer or clerical time.

The company may tend to prefer those checks within the computer which involve the smallest usage of effective computer time, whereas the auditor may have a natural leaning to external checks which correspond more closely to the types of checks available in other forms of mechanised systems.

The main features of the system of internal control, and of the types of checks available, may be summarised as follows:

(1) before the E.D.P. equipment is put into operation there will be a period in which the programme will be tested in detail and the results compared with information produced by existing methods: the equipment will become operational only when it is considered to be properly programmed to do the job and after the various kinds of checks designed to detect and locate errors have been thoroughly tested. Despite this it is almost inevitable that in carrying out the first application stoppages and errors will arise for reasons not envisaged in the preparation stage.

It is most desirable, therefore, that the existing system should continue to operate in the initial period of operation of E.D.P., so that stoppages and errors arising in the running-in period of E.D.P. should not dislocate the normal working of the business and so that the causes of such stoppages and errors can readily be identified and eliminated. After a time it will normally be found that the differences between the results are due entirely to errors in the existing method, which can then be discontinued;

(2) there should be proper control over programmes and stored information to ensure that they are not tampered with, substituted, lost or destroyed. It is a matter for consideration according to the circumstances of each case as to who should exercise this control—it may be the chief accountant or the head of the O & M division, but it should not normally be the programming section. It is not easy to alter programmes and stored information, having regard to the form in which they are held, and very extensive collusion with other members of the staff would almost certainly be necessary to perpetrate a successful fraud; the possibility, however remote, is one which should, nevertheless, be guarded against;

(3) programmers should have no access to financial accounting and control records and should, where practicable, be located away from the staff dealing with such records;

(4) records should be kept of the times during which the E.D.P. equipment operates, the work being undertaken, stoppages and idle time and the reasons therefor;

(5) in applications including the maintenance of debtors' or creditors' accounts, control accounts would normally be maintained outside the computer. Whilst certain of the entries in such control accounts may be obtained by pre-listing—such as totals of cash received—others may be originated by the computer, including the totals of the sales to customers in applications where sales invoices are prepared by the computer.

In other applications it would normally be appropriate to keep external control records to enable an independent check to be exercised on certain totals produced by the computer.

It is of course essential that the personnel operating the computer should have no access to the control accounts;

(6) all input media prepared from original documents, whatever form it may take, should be independently verified before entering the computer. In certain projected applications input will be taken directly into the computer from original documents. In such cases, no separate preparation of input media would arise and this would of course obviate a separate verification;

(7) programmes must contain adequate safeguards against errors.

Included in the types of checks available are the following:

(a) *Comparisons of totals*

Where the same input is used to produce various types of information, the agreement or reconciliation of the various totals represents in itself a

limited check on the accuracy of the computer. Thus in a payroll application the computer can produce under one programme:

(i) the worker's pay slip;
(ii) an analysis of the total net wages payable into the correct denominations of notes and coins;
(iii) an analysis of the insurance stamps required in categories;
(iv) analyses or totals of other deductions;
(v) an analysis of the gross wages for the purposes of charging the appropriate cost accounts;
(vi) a reconciliation of (ii) to (v) above.

It should, however, be borne in mind that the agreement of totals is effective only so far as it goes. Thus it cannot be a check on incorrect input nor on the basic calculations, but merely ensures that the actual process of analysis and summarisation has been carried out accurately.

(b) Feasibility check

The normal intelligent clerk is expected to question any item which appears to him to be absurd or improbable. The computer can be programmed to do the same. Thus in a payroll application a figure can be determined for weekly gross wages above which the computer would reject a wages calculation as not being feasible; a negative answer would also be rejected. This check represents a check on both incorrect input and incorrect calculations. Normally the computer would continue operating, leaving the case rejected to be dealt with outside the computer by clerical means.

The same principle will apply in any application and can if required be applied to more than one factor. Thus in the above case, it could, if thought desirable, be applied to ensure that any piecework rate above a specified figure is also rejected.

There may be a range of answers which are feasible but unlikely. The computer can be programmed to process these in the ordinary way but to print out a note which would indicate that special examination should be made of a particular item to ensure that it is correct.

(c) Input checks

The programme may provide:

(i) that input is only accepted if for each item of information there are the appropriate number of characters;
(ii) that certain identifying details are within a specified range, are in sequence, and are not duplicated—thus in a payroll application the computer might apply this test to the clock numbers.

(d) Other routine checks

The computer can be programmed to check each calculation it makes by following the same or different steps. This increases the time required and, in certain cases, having regard to other checks available, it may not be considered necessary to impose this check. There are also other built-in checks and programme checks for ensuring the accuracy of transfers of information within the computer system.

(e) Periodic verification of stored information

In most computer applications, there will be a substantial amount of stored information which is "up-dated" by the programme in accordance with current information. Such stored information should be printed out to the extent appropriate at suitable intervals and independently verified.

In the case of a payroll application, the information to be printed out would include the man's name, clock number, rate of pay, standard deductions, etc., which would be checked in detail by the personnel department against their records.

In the case of a hire-purchase or hire rental application, it would be appropriate to print out accounts on a sample or test check basis and to verify these with the original documentation.

I should mention at this point that it is a normal precaution to retain a copy of the stored information brought forward, until it is known that the up-dated information to be stored at the end of the next processing period is satisfactory. This obviates the danger of completely losing the stored information if a breakdown in system should occur, since it would then only be necessary to re-process for the current period.

VII. The auditor and E.D.P.

The scope of detail checking which an auditor considers it necessary to perform is very largely determined by the efficiency of the system of internal control. In large-scale organisations, with the greater opportunities for sub-division of accounting responsibilities and the necessity for a high degree of organisation, the system of internal control is usually such that the auditor can restrict his audit of routine transactions to a series of test checks designed to ensure that the system is being operated efficiently and that no weaknesses have developed.

The same principle will apply with an E.D.P. application, and it will normally be found that the meticulous preparation required in connection with an E.D.P. application will result in a system of internal control much superior in its effectiveness to that previously in force. Existing systems of internal control tend like Topsy to have "just grow'd," whereas an E.D.P. system can only be introduced as the result of careful planning. E.D.P. therefore should make the auditor's work easier rather than more difficult.

One has only to instance in this connection the established fact that where initially E.D.P. operates at the same time as the existing system the differences which arise, after the teething troubles of E.D.P. have been dealt with, will be due almost entirely to errors in the existing system, which would otherwise have gone undetected. In any system involving human processing, errors are bound to arise, and a proportion may still not be discovered after human checking; a very much greater degree of reliability can be anticipated from an E.D.P. system properly operated.

The question which inevitably must arise in an auditor's mind, when faced with an audit of accounts where E.D.P. is in force, is to what extent he ought to acquire technical knowledge about the way in which the computer operates, and the manner in which the programme is prepared.

The auditor needs to appreciate very clearly the capabilities and the limitations of the equipment, but subject to this he does not require any detailed knowledge about how it functions or how to read a programme. I would anticipate that most auditors would not feel entirely happy without a basic knowledge of these matters; this knowledge can be obtained in reasonably simple terms from books which are now available or from a short appreciation course.

I think that a reasonable audit approach is to regard E.D.P. equipment as just another accounting machine which, if instructed correctly and given the correct information, will produce the right answers subject only to the possibility of mechanical faults and interference. The vital factor from the point of view of the auditor is that the computer cannot of its own free will make deliberate errors, and that any errors which do arise will be "random" errors.

The auditor's task is therefore to examine very carefully the system under which E.D.P. is to operate and to ensure that the points to which I have already

referred under "System of internal control" have been dealt with.

In brief, the auditor's task is to satisfy himself:

(*a*) that the system is designed to ensure that the information supplied to the computer is correct;
(*b*) that there are adequate safeguards against fraudulent interference with programmes and stored information and with the operation of the computer;
(*c*) that the programme appropriate to the application contains adequate safeguards against errors and that there are adequate checks on the accuracy of the information produced.

I comment briefly on these points as follows:

(*a*) *Accuracy of input*
Input for this purpose may be divided between:

(i) information brought forward from the previous period which is normally held on magnetic film or tape, and
(ii) current information.

Information brought forward would normally be printed out periodically for test checking by the company's officials, and the auditor can apply his own test checks to such information as printed out and may arrange a special print out for this purpose.

So far as current information is concerned, the auditor should satisfy himself that the system for introducing such information into the computer is sound and is being properly followed, and that input media prepared from original documents are independently verified.

(*b*) *Safeguards against computing errors and against interference*
The auditor must satisfy himself that the system is designed to ensure that errors cannot go undetected and that there will be no interference with the programme and input or with the operation of the computer.

So far as errors are concerned, he should ensure that appropriate checks are included in the programme and ascertain that there is a proper system of recording errors and their causes and that appropriate action is taken to eliminate avoidable errors.

He should also satisfy himself that there is a proper system of control over the use of the computer and over the custody of programmes and stored information.

(*c*) *Accuracy of programme and output*
I have already said that I do not think it necessary for the auditor to be able to prepare or read a computer programme. I say this for a number of reasons:

(i) the auditor would need to devote a long time to acquiring the necessary skill;
(ii) programming techniques differ for different computers. The auditor would therefore need special training for each type of computer with which he has to deal;
(iii) unless he continually practises programming and keeps closely in touch with new programming devleopments he is certain to lose speed and efficiency;
(iv) even if he does check the programme in detail, he cannot be certain that the programme he has checked is the one that is used;
(v) there are more satisfactory ways of checking the accuracy of a programme.

How then is the auditor to satisfy himself as to the programme? Basically by ensuring on a test check basis that it produces the correct answers. The normal procedure would be along the following lines:

(*a*) the auditor would obtain the written or diagrammatic specification of the programme and ascertain what operations are to be performed, in order that he can appreciate the scope of the information to be produced;
(*b*) he should satisfy himself as to the accuracy of the external control records maintained, and check the balances or totals against relevant totals of the detailed information produced by the computer;
(*c*) he should satisfy himself on a test check basis that the detailed information produced is correct. In cases where the printed output is capable of being traced back to original records this is a simple matter. Thus in a payroll application the slip produced to be included in the employee's pay packet can be checked against the information contained on his time, job or piecework card and as shown by the personnel records. In cases where the output cannot be directly verified with original documents, the auditor may consider it appropriate to attend and watch the processing of a sample batch of current data and compare the results with answers obtained by direct means. The data should preferably be sufficiently representative to test all aspects of the programme;
(*d*) he should ascertain to what extent errors have arisen in the past, whether these arose from deficiencies in the programme and, if so, whether the appropriate corrections have been made and tested. Such errors become more and more unlikely with the passage of time.

My remarks so far have dealt only with the effect which E.D.P. may be expected to have on the audit of routine transactions dealt with by E.D.P. In general I would expect the auditor's task to be simplified, having regard to the greater efficiency which I anticipate in the system of internal control.

One of the principal advantages which E.D.P. should bring to management is better information produced more quickly. This will apply not only to information required for day-to-day management purposes but also to that required for the purpose of the financial accounts.

Thus in an E.D.P. application which incorporates the maintenance of debtors' accounts it would be reasonable to expect at the balance sheet date that the debts would be suitably aged and that all debts more than a certain age should be separately listed.

It is to be anticipated that a much tighter control on overdue accounts would be kept, and that it would be easier to present the auditor with satisfactory details of any necessary provision for doubtful debts.

In an E.D.P. application covering stock control, provision would normally be made in the programme for identifying slow-moving and redundant stocks on a more accurate basis than is usually practicable, so as to enable necessary provisions to be made against such stocks.

VIII. The future
As I have indicated earlier, the application of E.D.P. to accounting in the United Kingdom has become effective only recently and in only a relatively few large-scale undertakings. There is accordingly as yet very little practical audit experience of E.D.P. systems.

The pace of development of E.D.P. has been very rapid, and technical improvements are being continually announced, all designed to increase efficiency.

The problems of matching the electronic speed of the computer with the slower speeds of its input and output equipment are being solved, and the computer itself, from being a sensitive and bulky instrument requiring substantial maintenance time, is being reduced to a relatively small, compact and sturdy unit with a high degree of efficiency and reliability.

I have no doubt that the scope for the commercial use of E.D.P. is much wider than was envisaged at its inception. In my view the need for E.D.P. will not primarily be to cheapen and speed up the production of existing accounting information, but to provide vital information quickly through the medium of a fully integrated system of accounting and to lift from the shoulders of management the burden of a wide range of

routine decisions which can be reduced to a set of rules and which can then be interpreted speedily, accurately and untiringly by the computer. I have referred briefly to the routine stock control and re-ordering procedure which can be carried out by a computer. At least one system is already being devised whereby all the routine action arising from each day's orders from customers will be undertaken by E.D.P., including the preparation of despatch notes and invoices, the maintenance of customers' accounts, the adjustment of stock records and the placing of replenishment orders. It is not a far step to extend such a system to the planning and progressing of the factory production required to maintain stocks at appropriate levels.

Coupled with improvements in the design of E.D.P. equipment are projected developments for improvements in the technique of operating such equipment. The development of which one is most conscious at the present time is that of enabling information to be fed into the computer direct from original documents without the necessity to prepare and verify special input media. This will inevitably call for more standardisation of original documents—possibly the first which will be affected will be the cheque.

With wider experience of the use of computers and the attainment of reasonably stable standards of design and performance, it can be expected that the initial difficulties of installing E.D.P. will be considerably reduced and that increasing use will be made of service bureaux which smaller businesses can use on a service fee basis.

In the case of similar businesses within an industry, trade or profession, there is obvious scope for the adoption of standard procedures and programmes whereby an individual business can obtain the benefits of E.D.P. on a service fee basis by reorganising its existing methods to enable the appropriate input media to be sent to the central service bureau.

I feel, therefore, that in due course a wide range of businesses will find it beneficial to employ E.D.P. At the same time there will still be many businesses where other types of mechanised accounting can be more profitably employed, and there will also be many cases where E.D.P. will work in conjunction with existing mechanised systems.

In the initial period of E.D.P., I feel fairly sure that the industrial accountant and the auditor will have little difficulty in agreeing the scope of the checks which should be imposed both inside and outside the computer to ensure that errors cannot go undetected. The consequences of error fall first on the industrial accountant, and I would expect him to be very careful to see that these will not arise.

At a later period, when confidence has been gained in the equipment, and when perhaps the question of finding more operating time on the computer becomes pressing, there will undoubtedly be a tendency to review the existing checks and consider to what extent those which involve material loss of operating time can be removed. Similarly, if in practice it is found that certain of the control accounts maintained outside the computer never operate to reveal any differences, there will inevitably be a move to streamline the E.D.P. system to remove what may be considered to be unnecessary safeguards.

At this stage the auditor himself, however, will also have had a reasonable working experience of E.D.P., and I would not expect him to experience any difficulty in considering and agreeing possible modifications to the system.

The point I wish to make is that, as with any audit, the auditor must, in practice, treat each case on its merits. In general he should find the system of internal control better than that which would normally obtain where E.D.P. is not employed. There is, however, an optimum point in all systems beyond which the cost of further control or accuracy is greater than the additional benefit obtained, just as in a stores control system one would not normally think it profitable to keep elaborate records in order to control stocks of nuts and bolts. In an E.D.P. system this optimum point is higher than in a normal system, but perfection may still be too expensive. The cost of a check to eliminate the possibility of an unimportant error may still be too high, even with E.D.P.

There has been a certain amount of speculation as to the changes which E.D.P. is likely to bring to the accounting records of a business. In so far as E.D.P. is applied wholly to subsidiary routine accounting processes, such as the preparation of the payroll, sales and other statistics, or to such applications as stock control or production planning, the normal financial records would continue to be kept.

With the development of E.D.P. it is certain that in an increasing number of cases the maintenance of debtors' accounts will be included in a comprehensive E.D.P. application. Where such accounts represent isolated transactions such as sales on extended credit or hire-purchase terms, there would appear to be no reason to print out such accounts in detail and the programme would only provide for printing out periodically details of any overdue balances. In such an application, however, suitable total accounts would normally be maintained in visible form outside the computer. Where, however, debtors' accounts represent a continuing series of transactions with regular customers of the business, it would usually be found necessary to send periodical statements of account to such debtors; in such cases a copy of the statement would be kept and would constitute the visual record of the debtor's account. It is probable however that the creditors' ledger will be dispensed with, as is the case under many existing systems.

Even in a fully integrated system of accounting operated by E.D.P., I envisage that there will exist in visible form all the information which the auditor can reasonably require to support the annual accounts, although such information may to a large extent have been produced and printed out by the computer.

A question which could arise is whether, in certain cases, the auditor will be able to report pursuant to the Ninth Schedule of the Companies Act, 1948, that "proper books of account" have been kept. I do not think that the visible records which will be available in even the most advanced forms of E.D.P. will be inferior to those available under existing systems, but I think that when the Companies Act is next amended the phrase "accounting records" could well be substituted for "books of account."

E.D.P. will, I think, encourage the trend for the audit of a large-scale business to be directed more to the auditor's statutory duties under the Companies Act, 1948, than to his contractual or common law responsibilities in regard to the detection of fraud and defalcations. It is becoming more widely recognised that the responsibility for preventing the possibility of fraud and defalcations lies with management, and that in the large-scale concern the system of internal control should be such that neither the company nor the auditor would consider it necessary or reasonable for the auditor to carry out any extensive detail checking: on this basis he could not be expected to detect minor frauds and defalcations, but would report on weaknesses in internal check which might facilitate losses from these causes.

Profits Tax—Groups of Companies

WHERE A COMPANY (the word is used here to include any body corporate) resident in the United Kingdom (U.K.) is a subsidiary of another company so resident (the principal company), the latter may give written notice to the Commissioners of Inland Revenue (C.I.R.) (through the Inspector of Taxes, of course) requiring the profits or losses arising in any chargeable accounting period (C.A.P.) from the business of the subsidiary company to be treated as those of the principal for profits tax. For this purpose, where the accounting dates differ, the C.I.R. determine which C.A.P. of the subsidiary is to be deemed to correspond to the C.A.P. of the principal company.

The notice has to be given within six months after the end of the C.A.P. for which it is first to operate, or such longer time as the C.I.R. may in any case allow. A notice once given has effect for all future C.A.P.'s, but could have been withdrawn in 1947 or 1958 by notice within the six months following the passing of the Finance Act.

A principal company cannot give notice in respect of a subsidiary if a notice in respect of the latter by another principal company is in force or that subsidiary has given a notice still in force as regards a subsidiary of itself. If, however, a subsidiary has given notice as regards a subsidiary of itself and both are subsidiaries of a third company, the latter may give notice as regards both but not one only.

A grouping notice cannot be given unless each of the companies is carrying on a trade or business or was so engaged at the beginning of the first C.A.P. affected by the notice. A valid notice ceases to be effective if either company ceases to be resident in the U.K. or has a surtax direction in respect of the whole of its profits. It must be remembered that where the functions of a company consist wholly or mainly in the holding of investments or other property, the holding of such investments or other property is deemed to be a business carried on by the company.

A subsidiary company for these purposes is one in which the principal company beneficially owns, either directly or through another or other companies, not less than 75 per cent. of the Ordinary share capital (O.S. Cap) (as specially defined for profits tax purposes).

In the case of sub-subsidiary companies it is necessary to find the indirect holding by multiplying the fraction which the first holds in the second by the fraction which the second holds in the third, and so on, then adding together the direct and indirect holdings.

Illustrations:

(1) A company owns 100 per cent. of the O.S. Cap. of B Company
B company owns 100 per cent. of the O.S. Cap. of C Company
C company owns 100 per cent. of the O.S. Cap. of D Company

A is the principal of B, C, and D, B is the principal of C and D, and C is the principal of D.

A, B or C could give notice to group its subsidiaries, but if B had given notice to group with C or D, A could not give notice to group with B or C or D unless it gave notice to group all the companies already grouped. Similarly down the chain.

(2) A company holds 92 per cent. of the O.S. Cap. of B Company
B company holds 90 per cent. of the O.S. Cap. of C Company
C company holds 100 per cent. of the O.S. Cap. of D Company
D company holds 90 per cent. of the O.S. Cap. of E Company
E company holds 80 per cent. of the O.S. Cap. of F Company

A Company is deemed to hold
$92 \times 90 = 82.8$ per cent. of the O.S. Cap. of C Company
$92 \times 90 \times 100 = 82.8$ per cent. of the O.S. Cap. of D Company
$82.8 \times 90 = 74.52$ per cent. of the O.S. Cap. of E Company
$74.52 \times 80 = 59.616$ per cent. of the O.S. Cap. of F Company

B Company is deemed to hold 90 per cent. of the O.S. Cap. of C Company and
$90 \times 100 = 90$ per cent. of the O.S. Cap. of D Company
$90 \times 80 = 72$ per cent. of the O.S. Cap. of E Company
and so on.

If A also held 5 per cent. of the O.S. Cap. of E directly, E would be its subsidiary (just as B, C and D would be) because the holding would be $74.52 + 5.00 = 79.52$ per cent. in all. A would then own $(74.52 + 5) \times 80$ per cent. $= 63.61$ per cent. in F, so that F would still not be A's subsidiary.

Where any annual payments, royalty or rent are paid by a company resident or carrying on business in the U.K. to another company, whether so resident or carrying on business or not, and one company is the subsidiary of the other or both companies are subsidiaries of a third company, then (*a*) no deduction is allowed for the payment in computing the profits of the paying company; and (*b*) if the payment is made while a grouping notice applies to both companies, or the payment has to be treated as part of the gross relevant distributions of any C.A.P. as representing a payment to directors of a director-controlled company, it is not to be included in the profits of the recipient company.

Prior to April, 1958, the above restrictions on annual payments could be avoided by a joint election by the companies to that effect if the recipient was resident in the U.K.

Any payment disallowed under (*a*) above which had to be taken into the profits of the recipient company for a C.A.P. before April, 1958, attracted relief from profits tax at 3 per cent. (prior to April, 1956, $2\frac{1}{2}$ per cent.) of the

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amount of the payment or of the recipient's chargeable profits for the period, whichever was the lesser amount.

Now that the two-tier rate of profits tax no longer applies, grouping is usually desirable only where losses are expected to arise regularly in one company. Profits and losses are calculated under the usual rules before their amalgamation: for example, the maximum directors' remuneration is calculated separately for each company.

Illustrations:

	£		£
(1) Parent company profit	40,000	Subsidiary profit	8,000
Separate liabilities:			
Parent £40,000 at 10 per cent.			4,000
Subsidiary	8,000		
Abatement $\frac{£4,000}{5}$	800		
	7,200	at 10 per cent.	720
			4,720
If amalgamated	48,000	at 10 per cent.	4,800

(2) Parent company profit			9,000
Subsidiary loss			3,000
Separate liabilities Parent	9,000		
Abatement $\frac{£3,000}{5}$	600		
	8,400	at 10 per cent.	840
Subsidiary			NIL
If amalgamated	9,000		
	—3,000		
	6,000		
Abatement $\frac{£6,000}{5}$	1,200		
	4,800	at 10 per cent.	480

Prior to April, 1958, it often "paid" to group because of the incidence of distributions.

Separate Assessment of Husband and Wife

WHERE SEPARATE ASSESSMENT is claimed, the earned income relief is apportioned in the ratio of the earned incomes of the spouses; small income or age relief in proportion to their total incomes; the allowances for dependent relatives, for a daughter's services and for a child maintained by the claimant (other than a child of either spouse) are given to the spouse maintaining the relative; and life assurance relief to the spouse paying the premiums. All other allowances—that is, personal and additional personal and for a child of either (or both) spouses; housekeeper looking after children because of the wife being incapacitated; and reduced rate reliefs—are divided between the spouses in proportion to the amount of tax which would have been payable by them respectively if the only personal reliefs allowable had been the earned income or old age reliefs.

It will be seen, therefore, that there can be no question of total income coming into the apportionment except in the case of small income and age reliefs.

Illustration	*Husband*	*Wife*
	£	£
Earned income	2,700	1,800
Earned income relief (E.I.R.) 2/9ths of £4,005+1/9th of £495=£945 27 : 18	567	378
	2,133	1,422
Unearned income, less national insurance contributions	2,117	703
	4,250	2,125
Amount of tax (at 7s. 9d.) which would have been payable if earned income relief were the only relief available	£1,646 17 6	£823 8 9

The last amounts give the ratio in which the reliefs mentioned in the second half of our opening paragraph must be apportioned, but it is easier to look at the ratio 4,250 : 2,125. Strictly, all allowances are given in terms

Illustration of strict method:

		Husband		Wife	
		£ s. d.	£ s. d.	£ s. d.	£ s. d.
Tax as above			1,646 17 6		823 8 9
Tax on:					
Dependant kept by wife, £60 at 7s. 9d.				23 5 0	
Adopted child, aged 13, kept by husband, £125 at 7s. 9d.		48 8 9			
	£				
Personal allowance (P.A.)	240				
Additional personal allowance (A.P.A.)	140				
Children of marriage, aged 13 and 17 (at school) (Ch. A.)	275				
Child of husband by former marriage (still at university)	150				
	805				
£805 at 7s. 9d., £311 18s. 9d. 1646·875 : 823·4375		207 19 2		103 19 7	
Life assurance relief (L.A.R.)					
Premiums paid by husband, £200—£80 at 7s. 9d.		31 0 0			
Premiums paid by wife, £60—£24 at 7s. 9d.				9 6 0	
			287 7 11		136 10 7
			1,359 9 7		686 18 2
Deduct reduced rate reliefs:					
£60 at 6s. 0d.; £150 at 3s. 6d.; £150 at 1s. 6d.=£55 10s. 0d. each 1646·875 : 823·4375			74 0 0		37 0 0
			1,285 9 7		649 18 2

It is customary, however, to work as follows:

		Husband		Wife	
	£	£	£	£	£
Income, less E.I.R.			4,250		2,125
Dependant				60	
Adopted child		125			
	£				
P.A.	240				
A.P.A.	140				
Ch. A.	425				
4,250 : 2,125	805	536⅔		268⅓	
L.A.R.		80		24	
			741⅔		352⅓
			3,508⅓		1,772⅔

(In practice the fractions would be taken to nearest £, but they are used here to reconcile the tax payable.)

	Husband		Wife	
	£	£ s. d.	£	£ s. d.
Reduced rates 2×£360 (tax 2×£84)				
4,250 : 2,125	480	112 0 0	240	56 0 0
at 7s. 9d.	3,028⅓	1,173 9 7	1,532⅔	593 18 2
		1,285 9 7		649 18 2

of tax, but it is easier to deduct them before calculating the tax liability.

It seems that maintenance relief under Schedule A would be deductible in arriving at the amounts which are the basis of apportionment, as it relates to a specific item of income, in the same way as capital allowances are deductible in Schedule D assessments or against specific income, but annual payments, including bank interest, building society interest and Agricultural Mortgage Corporation interest, do not affect the apportionment, as they do not reduce the tax which "would have been payable" if earned income relief alone were available. Capital allowances set off against other income as a result of a claim under Section 324 seem to be deductible, however, since they can be set off against the income before charging tax. But the point may not be free from doubt.

All that we have said applies to income tax. For surtax, the allowances that are apportionable have to be apportioned on the basis of the respective total incomes of the spouses.

Taxation Notes

Dividend Vouchers for 1959/60

It is opportune to remind those listing dividend vouchers for 1959/60 that Ordinary dividends paid in the first few weeks of the year of assessment may show a tax deduction at 8s. 6d. in the £. In such cases, the net amount must be grossed up by reference to a tax deduction of 7s. 9d. in the £ in order to arrive at the true gross for 1959/60. Thus a dividend paid on April 10, 1959, of £50 less tax at 8s. 6d (£21 5s. 0d) that is, £28 15s. 0d. net, must be returned as £46 18s. 9d. gross (tax £18 3s. 9d.). If the voucher showed a net United Kingdom rate of 7s. 0d. (8s. 6d. less 1s. 6d.), the net U.K. rate would become 6s. 3d. (i.e. 7s. 9d. less 1s. 6d.).

The same rules apply to the fluctuating portion of a participating Preference dividend, thus:

	£ s. d.
Dividend paid on April 10, 1959, on a participating Preference share:	
Fixed rate 6 per cent. ..	60 0 0
Participating rate 4 per cent.	40 0 0
	100 0 0
Less: Income tax at 8s. 6d.	42 10 0
	57 10 0

	£ s. d.	£ s. d.
Amount to be included in the recipient's income:		
Fixed portion		60 0 0
Fluctuating portion ..	40 0 0	
Less: Tax at 8s. 6d. ..	17 0 0	
	23 0 0	
Grossed at 7s. 9d. ..	14 11 0	37 11 0
		97 11 0

The over-deduction from the fixed portion (£60×9d.=£2 5s. 0d.) may be adjusted when paying the next dividend on the shares, if within a year from the passing of the Finance Act, 1959 (July 29, 1959); otherwise it ought to be refunded to the member (Sections 185 (2), 494, 493, 494, Income Tax Act, 1952).

The true gross of Ordinary dividends in such cases can be found nearly enough for practical purposes by deducting 6⅛ per cent. from the gross amount. For example:

	£ s. d.
Gross amount	200 0 0
Tax at 8s. 6d.	85 0 0
	115 0 0
Gross at 7s. 9d.	72 15 1
	187 15 1
£200 − 6⅛ per cent. of £200	187 15 0

Time Limits

It is important to remember the increase in many time limits provided by the Finance Act, 1958. In general six years is allowed for most claims, but this is reduced to two in the cases of loss claims under Section 341 (including Section 15, Finance Act, 1953). The claim for treatment on a continuing basis on a change in partners, however, remains at twelve months from the date of the change.

Domicile

The Private International Law Committee has been asked by the Lord Chancellor to consider again the question of domicile. The Committee had, in 1954, published a report on this matter. Domicile has recently been a subject of public attention as a result of two Bills introduced into Parliament which failed to become law. It may be recalled that the second Bill, to which reference was made on page 85 of ACCOUNTANCY for February, 1959, was finally rejected largely as a result of the opposition of the substantial foreign colony in this country, including the large number of American citizens, who feared they would find their taxation position drastically altered by the proposed change in the definition of domicile.

Although domicile is important in several branches of the law, such as wills and matrimonial causes, its significance to readers of ACCCOUNTANCY lies in its relevance to income tax and estate duty. A person who satisfies the Commissioners of Inland Revenue that he is not domiciled in the United Kingdom is charged to tax under Cases IV and V of Schedule D on the "remittance" basis. "Foreign emoluments" excepted from Cases I and II of Schedule E are emoluments of a person not domiciled in the United Kingdom from an office or employment under or with any person, body of persons or partnership resident outside, and not resident in, the United Kingdom. Domicile is also relevant to income tax in connection with the Income Tax Act, 1952, Section 412 (transactions resulting in transfer of income to persons abroad).

As regards estate duty, exemption is granted to foreign property, provided the conditions laid down by the Finance Act, 1949, Section 28 (2), are satisfied. As regards movable property, the domicile of either the deceased or a disponor (or person providing funds for a disposition) is relevant for this purpose.

Dicey's *Conflict of Laws* (7th edition, page 85) states:

> (1) A person is, in general, domiciled in the country in which he is considered by English law to have his permanent home.
>
> (2) A person may sometimes be domiciled in a country although he does not have his permanent home in it.

In establishing where a person is domiciled the courts must have regard to a number of technical rules. Two of these, in particular, have excited adverse criticism. The first is that a person who has abandoned a domicile of choice without acquiring a new domicile of choice reverts to his domicile of origin, irrespective of his intentions in the matter. The second is that a married woman's domicile is dependent on that of her husband.

Changes in the law have un-

doubtedly been prevented by a consideration of possible fiscal consequences. It is possible that legislation relating to domicile will distinguish between "revenue" domicile and domicile for other purposes of the law.

***Digest of Tax Cases*, 1959**

The Income Tax Payers' Society has published, for circulation to members only, the *1959 Supplement to Index and Digest of Tax Cases*. This contains summaries of cases decided in the courts during the year ended July 31, 1959, and reported in *The Income Tax Payer*. The summaries follow the familiar form. Several very important cases are included. For example: *Hinton* v. *Maden & Ireland*, dealing with what constitutes plant and machinery for the purpose of investment allowances; *Carson* v. *Cheyney's Executors*, dealing with royalties of an author received after his death; the High Court and Court of Appeal decisions in *C.I.R.* v. *Hinchey*, cutting down the Revenue interpretation of the amount of penalties in income tax cases; *C.I.R.* v. *Wood Brothers*, dealing with the exclusion of balancing charge from the computation of actual income for the purpose of a surtax direction; *Thomson* v. *Moyse*, where it was held that a foreign cheque sold to a bank was not a remittance for income tax purposes.

More About Bank Interest

Following the article in the November issue (page 604), it may be opportune to emphasise that in the final set of figures it was assumed that the deposit account was reopened on April 6, 1957, so that, although the source was held for the whole of the year of assessment 1957/58, nevertheless interest did not first arise on that date but on June 30, 1957, with the result that 1957/58 and 1958/59 assessments were on the actual income of those respective years and the right to a reduction arose for 1959/60, the third year of assessment. The same result would have followed even if the deposit took place before April 6, 1957; it is the date that income first arose that is important.

Inoperative Deeds of Covenant

Where a deed of covenant is inoperative for income tax purposes because it is for a period which cannot exceed six years, or is not irrevocable or is in favour of an infant unmarried child of the covenantor, with the result that, although the covenant must be observed, the income remains for tax purposes that of the covenantor, the latter is entitled to recover from the trustee or other person to whom the income is payable the extra tax he has to pay as a result. If, on the other hand, the covenantor obtains any extra allowance or relief as a result of such a covenant, he must account for the income tax thereon. In calculating the tax adjustment, the income in question is deemed to be the highest part of his income. Similar provisions apply to settlements caught by Part XVIII, Income Tax Act, 1952, Chapters II and III (Sections 394, 400, 406).

Illustration

For 1959/60, A. had a total income of £2,500 (including £600 payable under a covenant caught by Chapter I of Part XVIII), of which £2,000 was earned. He is married with no children. Of the earned income, £500 is that of his wife. He pays life assurance premiums on policies on his and his wife's lives amounting to £400 each year. All premiums are within 7 per cent. of the sum assured.

	£	£	£	£
Computations:				
Income		2,500		
Income, excluding covenant				1,900
Earned income relief (E.I.R.)	445		423	
Personal allowance	240		240	
Additional personal allowance (A.P.A.)	140		140	
Life assurance relief	160			
do. (on 1/6th of £1,900)			127	
	—	985	—	930
		1,515		970
Wife's earned income (included above)		500		500
E.I.R.	112		112	
A.P.A.	140		140	
Life assurance relief available only because of wife's earned income				
On 1/6th of £400	27			
On 1/6th of £500			34	
	—	279	—	286
		221		214

£	£	£ s. d.	£	£ s. d.
Tax liability 360 at reduced rates		84 0 0	360	84 0 0
221 ,, ,, ,,		40 11 3	214	38 7 6
934 at 7/9		361 18 6	396	153 9 0
1,515		486 9 9	970	275 16 6
Surtax: Income	2,500			
Less Part P.A.	100			
	2,400			
Tax		40 0 0		
Total tax to be borne		526 9 9		275 16 6

	£ s. d.
Difference to be borne by trustees (or donee where applicable)	250 13 3
Deducted at source	232 10 0
Recoverable from trustees	18 3 3

Annual Payments

In the case of *Whitworth Park Coal Co. Ltd.* v. *Commissioners of Inland Revenue*, the House of Lords (Lord Radcliffe dissenting) decided last month that certain payments made to the company by the Minister of Fuel and Power under the Coal Industry Nationalisation Act, 1946, and the Coal Industry (No. 2) Act, 1949, were taxable under Case III of Schedule D by direct assessment. The payments were held to be income of the company in the years in which they were received and not income of the years in respect of which they were paid. This was of importance because surtax directions had been made upon the company with regard to the income in question.

What is of greatest importance, it would seem to us, is that the decision establishes that payments to which neither Section 169 nor Section 170 of the Income Tax Act, 1952, applies may yet be annual payments, chargeable by direct assessment under Case III of Schedule D. (References in this note are to the 1952 Act, although the *Whitworth Park* decision was upon the provisions of the 1918 Act.) Previously the essential nature of an "annual payment" has been obscured by the fact that it was thought that tax was inevitably deducted from such a payment. For instance, Scrutton, L.J., said in *Earl Howe* v. *Commissioners of Inland Revenue* (1919, 7 T.C. 289 at page 303):

> The "annuities, interest, and other annual payments" which can be deducted to obtain exemption (from (then) super-tax) are those from which the claimant can deduct tax on behalf of the recipient; being in effect the profits of the recipient who bears the tax, they are not also to be treated as profits of the person paying them. If no tax can be deducted on behalf of the recipient, they cannot be treated as profits of the recipient, and must be treated as paid out of profits of the person paying, who is therefore to be taxed on them.

With respect, this is to argue in a circle. What decides whether tax is to be deducted (a mere question of machinery) is the nature of the payment, and only when this is ascertained does the method of charging become relevant. What is crucial for the present purpose, as Lord Reid pointed out, is whether the payments are pure income profit.

A practical consequence of the reasoning in the *Whitworth Park* case is that *Bingham* v. *Commissioners of Inland Revenue* (1955, 36 T.C. 254) may possibly have been wrongly decided. The taxpayer and his wife had been domiciled and resident in Holland. The marriage was dissolved by a Dutch court, which ordered him to pay his former wife alimony. He later became resident in the United Kingdom, his wife remaining abroad. While resident here he claimed a deduction in respect of his alimony from his total income for surtax purposes. This was refused by Harman, J. (as he then was), who cited the passage from *Earl Howe* v. *C.I.R.* quoted above, as his Lordship was of the opinion that though the payment was "pure income profit" the *Earl Howe* decision prevented its deduction for surtax purposes unless the taxpayer could make the deduction of tax on behalf of the recipient. This he could not do because "the obligation depends on foreign jurisdiction, and the payee is not liable to the English taxation network at all and not therefore bound to suffer a deduction of this sort." Accordingly, the taxpayer's appeal failed, the learned Judge against his own inclination holding himself bound by the *Earl Howe* decision. It seems, however, in view of the *Whitworth Park* decision, that inability to deduct tax does not deprive an annual payment of its character as recipient's income, that is, income that is not that of the payer. It is submitted, therefore, that it should be deductible under Section 524 and paragraph 1 (1) (*b*) of the Sixth Schedule, in computing total income for surtax purposes. By reason of the language of Section 169, however, it seems that a taxpayer in Bingham's circumstances would still have to bear tax at the standard rate on an amount equal to the alimony payment.

A note "What are Farming Losses?" appears in our Professional Note pages.

So many pieces!—Schedule A, Bank interest, Furnished lettings, Woodlands, Schedule E Case III, Excess rent, Wife's earnings, Schedule D Case II, Surtax . . .

Recent Tax Cases

Income Tax

Return of income—Notice to furnish return — Assessment — Eastern Africa —Assessment made before expiry of time for delivering return—Ultra vires *and void—East African Income Tax (Management) Act, 1952, Sections 40 (1), (2) and (3); 59 (1) and (3); 71 (1), 2 (a), (b), (3); and 72.*

Section 59 (1) of the East African Income Tax (Management) Act, 1952, provides as follows:

> The Commissioner may, by notice in writing, require any person to furnish him within a reasonable time, not being less than thirty days from the date of service of such notice, with a return of income . . .

Section 71 (1) of the Act then states that

> The Commissioner shall proceed to assess every person chargeable with tax as soon as may be after the expiration of the time allowed to such person for the delivery of his return,

while Section 72 (so far as relevant) reads thus:

> Where it appears . . . that any person liable to tax has not been assessed or has been assessed at a less amount than that which ought to have been charged, the Commissioner may, within the year of income or within seven years after the expiration thereof, assess such person at such amount or additional amount as, according to his judgment, ought to have been charged . . . Provided that (a) where any fraud or wilful default has been committed by or on behalf of any person in connection with or in relation to tax for any year of income, the Commissioner may, for the purpose of making good to the revenue of the Territories any loss of tax attributable to the fraud or wilful default, assess that person at any time . . .

In **Mandavia v. Commissioner of Income Tax for Eastern Africa** (Judicial Committee of the Privy Council, 1959, A.C. 114) the appellant, a resident in Kenya, was on May 26, 1953, for the first time served with a notice under Section 59 (1) of the Act of 1952 requiring him to furnish returns of his income for the years of assessment 1943 to 1953. He was then in England and wrote to the Commissioner asking for an extension of time in which to deliver the returns until he returned to Kenya towards the end of July, 1953. In those circumstances and "in order that there may be no delay in collection of duty," the Commissioner on or before June 18, 1953, made assessments on the appellant under Section 72 of the Act of 1952 for the years 1943 to 1951 inclusive on the basis of figures already submitted, reliance being placed on the proviso to the Section for going back more than seven years. The assessments contained triple penalties under Section 40 of the Act in addition to the tax.

The Supreme Court of Kenya held that the assessments were properly made under Section 72, but remitted the triple penalties for 1951 because the appellant had given notice of his liability to tax for that year and had supplied some figures. The Court of Appeal for Eastern Africa confirmed the assessments in respect of the tax and a penalty equal to the amount of the tax, but remitted the question of further penalties to the Supreme Court of Kenya for retrial by another Judge.

Before the Privy Council the appellant contended that Section 72 did not apply until the machinery under Section 71 had been put into operation and that the assessments were *ultra vires* and void in that they were made before the time allowed by Section 71—which was admittedly the thirty days provided by Section 59 (1)—had expired. If, on the other hand, Sections 71 and 72 were alternatives, the respondent had elected to give notice under Section 59 (1) and could not then operate Section 72 during the currency of the time allowed.

Lord Somervell of Harrow, who delivered the judgment of the Board, said that their Lordships had come to the conclusion that the construction submitted by the appellant was right. One would expect an opportunity to make a return to be a condition precedent to assessment, and this view was supported by the provisions for personal allowances in Part IV of the Act. If the respondent were right any person could be assessed without having any such opportunity. There would be two concurrent jurisdictions, one providing reasonable protection for the taxpayer and the other providing no protection *quoad* the original assessment, apart from a right to appeal. Such a construction seemed inconsistent with the general and mandatory provisions of Section 71, which provided how all original assessments were to be made.

Having regard to the wording of Section 71, it seemed to their Lordships necessary to restrict the words in Section 72 on assessing for the first time to cases in which, the machinery of Section 59 (1) having been operated, no assessment had been made. Thus Section 72 dealt with cases which had been settled under the normal procedure under Sections 59 and 71 but which, owing presumably to subsequent information, it was desired to reopen. This explained why Section 72 contained a *prima facie* limitation period of seven years, whereas Section 71 contained no limitation. On the respondent's argument (that if a year or longer had elapsed following the year of income Section 72 was properly available) this seemed inexplicable. On the appellant's argument, on the other hand, it seemed reasonable that there should after a certain time be no reopening of what had been settled unless there had been fraud or wilful default. Before making the assessments, therefore, the time allowed under Section 71 had to elapse. Acordingly, the Order of the Court of Appeal for Eastern Africa was reversed and the respondent was ordered to pay the appellant's costs throughout.

Decisions of the Judicial Committee of the Privy Council, though technically of "persuasive effect," are treated with the utmost respect by English Courts and are applied in practice by the Inland Revenue where applicable.

Income Tax

Employment—Secretary of company—Scheme for purchase of shares in company—Option granted at market price ruling on date of grant—Cash payment for option—Appreciation in market price of shares—Whether perquisite—Whether employment—Whether taxable in year of purchase or year of exercise—Judicial precedent—Scottish decision—Whether Court of Appeal bound by decision of Court of Session—Income Tax Act, 1952, Schedule E, paragraph 1.

The facts in **Abbott v. Philbin** (C.A. 1959, 3 W.L.R. 739) and the judgment of Roxburgh, J., in the Chancery Division, were noted in our issue of July/August last (page 401), and the case was also referred to in an article on *Share Option Contracts* in our October issue (pages 541–4). The Judge held that the taxpayer was assessable under Schedule E in respect of the yeaı when the option was purchased, and not in respect of the year when the option was exercised. He distinguished the well-known Scottish case of *Forbes's Executors* v. *C.I.R.* (1958, 38 T.C. 12), where the Court of Session had held that the option was assessable to tax in respect of the year in which it was exer-

cised, on three grounds, namely: (i) Mr. Abbott had to pay for his option whereas Mr. Forbes had not; (ii) in *Forbes's* case the option arose out of a service agreement so that the benefit of it was in the nature of additional remuneration, and it was impossible to treat additional remuneration on a different basis from salary or other primary remuneration. In *Abbott's* case, on the other hand, the option was not a reward for services, although it was derived as a result of the taxpayer's employment with the company, "but it was a thing that was bought," and an employee did not have to pay for his own remuneration. In short, Mr. Abbott's option was a perquisite which was distinguishable from additional remuneration, although salaries and perquisites were grouped together for purposes of taxation in paragraph 1 of Schedule E to the Income Tax Act, 1952; and (iii) the option had a value (see the observations of Lord Watson in *Tennant* v. *Smith* (1892, 3 T.C. 158, 164)) at the time it was purchased, even though it might not be possible to tax the option owing to difficulties of valuation.

The Court of Appeal, following the decision of the Court of Session in *Forbes's* case, has reversed the decision of Roxburgh, J., and has held the option to be assessable in respect of the year when it was exercised. The Court of Appeal did not consider itself bound to follow the Court of Session, but it did so because (i) there were no propositions peculiar to Scots law which formed the basis of the decision of the Lords of Session in *Forbes's* case; (ii) the relevant Revenue statutes apply indifferently in England and Scotland; and (iii) *Forbes's* case was argued on all the points taken before the Court of Appeal; so, for reasons of policy, it would not be right that the Court of Appeal should express a diametrically opposite view from that of the Court of Session.

Lord Evershed, M.R., attached little importance to the fact that Mr. Abbott purchased his option for cash, although it was conceded that for the option to constitute a perquisite of the taxpayer its value at the material time would have to exceed the purchase price. He felt troubled, however, by the line of reasoning which had led the Lords of Session to reach the decision they did. The Lord President (of the Court of Session) had expressed the opinion that because the option when granted could not be turned to money account and for that reason was not taxable, therefore

> it would follow that it is only in 1946, when Mr. Forbes applied for allotment . . . that tax under the rules becomes exigible.

He, the Master of the Rolls, was not satisfied of the logic of that statement. In fact, the holder of an option such as Mr. Forbes had obtained could turn it to account before it was exercised, not by assigning the option itself (for it was not transferable), but by covenanting for a money consideration that he would exercise the option in a particular way and at a particular time as the covenantee required.

The Court of Session had decided two points: (i) that an option having the essential characteristics of Mr. Forbes's option had not itself the necessary quality (as explained by Lord Watson in *Tennant* v. *Smith*), at the date of its grant, to make it a perquisite liable to tax within Schedule E; and (ii) that the option-holder was liable to be charged for the profit he obtained when he exercised the option. If the fact that Mr. Forbes's option could be turned to pecuniary account (in the way indicated above) at the time of grant had been argued by the appellants in *Forbes's* case, the Lords of Session might have concluded differently on the first point, and, if so, the second point would have fallen down. But the Court of Session had decided in the clearest terms that an option in all material respects identical with Mr. Abbott's option could not, at the date of its grant, be brought into charge to tax. With the emphasis laid, as the Scottish Judges had laid it, on the point of non-transferability, one might ask what would be the right answer if an option of the kind in question were granted which was transferable. If the truth was that an option which was assignable would attract tax at the date of its grant (assuming that it had a bonus value which was calculable), then it would follow as the night the day that the Crown could not afterwards seek to tax the benefit or the further gain that was achieved by the exercise of the option, and a strangely anomalous position would arise according to whether the option was expressed to be assignable or non-assignable.

These were some of the doubts which his Lordship felt (and which were shared, in part, by Harman, L.J.), but he could not agree with Roxburgh, J., that *Forbes's* case could be supported on the ground that the shares when issues were additional remuneration. What Mr. Forbes got was not additional remuneration but something which he became entitled to as a result of a valid and effective right, namely, the option. Neither could he agree with Roxburgh, J., that the Judges in Scotland applied propositions of Scots law which had no application in England and which, therefore, left *Abbott's* case to be decided without regard to the *Forbes* decision. The question in each case was whether the sum of money charged to tax was a perquisite within Schedule E. Although he found difficulty in thinking that the liability in *Forbes's* case arose because the option when granted could not then be turned to pecuniary account, he was not satisfied that the Court of Appeal could or should properly dissent or depart from the Scottish decision on the ground that it had never been brought to the attention of the Scottish Judges that the option could be turned to pecuniary account before the exercise of the option. In the case of a Revenue statute of the kind in question it was the duty of the Court of Appeal, unless there were compelling reasons to the contrary, to say, after expressing such doubts as it felt it ought to do, that it should follow the Scottish decision.

Leave to appeal to the House of Lords was granted.

Income Tax and Surtax

Company—Shares—Surtax direction—Apportionment of income — Effect — Settlement of shares on children by father—Notional distribution of dividend —Whether assessable as income of father—Meaning of "deemed"—East African Income Tax (Management) Act, 1952, Sections 22, 24 (1), (2) (a), (4).

By Section 22 of the East African Income Tax (Management) Act, 1952, the undistributed portion of the total income of certain companies, subject to a limit of 60 per cent. of such income, is deemed to have been distributed as dividend amongst the shareholders of the company if the Commissioner of Income Tax makes an order to that effect, and (in that event)

> the proportionate share thereof of each shareholder shall be included in the total income of such shareholder for the purposes of this Act.

Section 24 (1) of the same Act provides as follows:

> Where, by virtue or in consequence of any settlement to which this Section applies and during the life of the settlor, any income is paid to or for the benefit of a child of the settlor in any year of income, the income shall be treated for all the purposes of this Act as the income of

the settlor for that year and not as the income of any other person.

In **Houry v. Commissioner of Income Tax for Eastern Africa** (Judicial Committee of the Privy Council, 1959, 3 W.L.R. 874), the appellant, his wife and his two infant children each held a number of shares in a company registered in Tanganyika. The children's shares had been transferred into their names by their father, and the transfer constituted a "settlement" within the meaning of Section 24 of the Act of 1952. The Commissioner of Income Tax having made an order under Section 22 of the Act that 60 per cent. of the company's income for the "years of income" 1951 and 1952 should be deemed to have been distributed amongst its shareholders, the appellant was assessed on the basis that under Section 24 the sums deemed to have been received upon the distribution were in the respective years to be treated as part of his income for tax purposes. The appellant appealed against the assessments so far as they related to the "dividends" on the children's shares. The High Court of Tanganyika confirmed the assessments, and the Court of Appeal for Eastern Africa dismissed an appeal from the decision of the High Court.

Before the Judicial Committee of the Privy Council Lord Radcliffe said that the short question raised by the appeal was whether the dividend deemed to have been paid under Section 22, when the order affecting the company came into operation, was to be reckoned as a payment of income to or for the benefit of a child shareholder when a computation of the settlor's income was made for the purposes of Section 24. Another way of putting the question was to ask whether the notional payment that it effected under Section 22 amounted to a "payment" for all the purposes of the different Sections of the Act, or at least of Section 24; or whether the fiction that it set up was for the purposes of Section 22 alone and was confined in its operation to that Section and the resulting assessment.

It was apparent that no income had in fact been paid to or for the benefit of the children (consequent upon the surtax direction). All that had happened was that a fictitious payment of dividend had been brought about by the operation of the order made under Section 22. Unless, therefore, the effect of such an order was to impose upon the meaning of the word "paid" in Section 24 an interpretation which included sums deemed to have been paid by virtue and for the purposes of another Section of the Act, the notional dividends attributed to the children were not within the charge of Section 24 and could not be treated as the income of the father.

Their Lordships did not think that the Act of 1952 was so constructed as to allow the assumptions of Section 22 to be imported into the operation of Section 24. The two Sections were independent charging provisions and the charges which they imposed were mutually exclusive. Section 22 did not merely state that (in the circumstances therein set out) there was to be a notional payment of dividend; it also stated that each shareholder's share of dividend was to be included in his total income for the purposes of the Act. The dividend must then go into the total income of the child who owned the shares, and for the purposes of taxation it was to be treated as his income. Such an enactment would be blankly inconsistent with the enactment contained in Section 24 that whatever was paid to or for the benefit of a child was to be treated for all the purposes of the Act as the income of the father and not as the income of any other person.

The conclusion seemed unavoidable that income "paid" within the meaning of Section 24 and as such attributed to the father could not include income deemed to be distributed by virtue of Section 22 and as such attributed to the children. The provisions of Sections 22 (4) and 24 (4) also favoured a construction of the word "paid" that did not extend it beyond actual payments that had reached the child or its trustee. The Board therefore reversed the judgment of the Court of Appeal for Eastern Africa and ordered the respondent to pay the appellant's costs throughout.

This case is of interest because each of the relevant Sections in the East African Income Tax Act has its analogue in the taxing code of the United Kingdom.

Stamp Duty

Gifts inter vivos*—Oral settlement—Settlements in favour of grandchildren—Transfer of company shares to trustees as nominees—Oral direction to trustees to hold shares on trusts of settlements—Subsequent declarations of trust by trustees—Equitable assignment—"Disposition" of equitable interest required to be in writing—Meaning of "disposition"—Whether voluntary dispositions liable to* ad valorem *duty—Statute—Construction—Consolidating Act—Amending Acts consolidated—Principles of construction—Statute of Frauds, Sections 1–3, 7–9—Finance (1909/10) Act, 1910, Section 74—Law of Property Act, 1922, Section 191 (2)—Law of Property (Amendment) Act, 1924, Sections 3, 12 (3); Schedule III, Part I, Part II, paragraph 15—Law of Property Act, 1925, Section 53 (1) (c).*

Section 53 (1) (*c*) of the Law of Property Act, 1925, provides that

> A disposition of an equitable interest or trust subsisting at the time of the disposition must be in writing signed by the person disposing of the same or by his agent thereunto lawfully authorised in writing or by will.

In **Grey and Another v. C.I.R.** (House of Lords, 1959, 3 W.L.R. 759) one H. made five settlements, one in favour of each of his grandchildren; and in 1950 he made a sixth settlement on his then existing and possible after-born grandchildren. The appellants were the trustees of each of these settlements. On February 1, 1955, H. transferred to the appellants, as his nominees, 18,000 Ordinary £1 shares in a company. On February 18, 1955, he orally and irrevocably directed the appellants thenceforth to hold the shares transferred to them on February 1, as to five blocks of 3,000 shares each on the trusts respectively of the five settlements executed in 1949 and as to 3,000 shares on the trusts of the settlement of 1950, to the intent that such direction should result in the entire exclusion of H. from all future right, title and benefit to or in the shares and the income thereof.

On March 25, 1955, the appellants executed six declarations of trust which H., although not expressed to be a party thereto, also executed. They were all in similar form and each recited that the appellants were the holders of 3,000 shares in the company, H.'s oral direction of February 18, the acceptance of the trust reposed in them by that oral direction, and that the giving of the direction and its nature were testified by the execution by H. of the deed. The operative part of each deed declared that the appellants acknowledged and declared that they were holding the shares on the trusts of the settlement to the intent that the shares should form part of the trust fund. The six declarations of trust were assessed to *ad valorem* stamp duty as voluntary dispositions within Section 74 of the Finance (1909/10) Act, 1910. Upjohn, J., held that the declarations of trust were not chargeable with duty, but his decision was reversed by the Court of Appeal.

In the House of Lords, Viscount Simonds said that the question was: were the several oral directions given by H. dispositions by him of the equitable

interest in the shares held by the appellants as nominees for him? If the directions given by H. and recited in each of the instruments were effective, the instruments would not be chargeable with duty; but if, having regard to Section 53 (1) (*c*) of the Act of 1925, the directions were ineffective, duty would be chargeable. If the word "disposition" were given its natural meaning, it could not be denied that a direction given by H. whereby the beneficial interest in shares hitherto vested in him became vested in another or others was a disposition. But it was contended by the appellants that the word "disposition" must be given a narrower meaning (so far as it related to *inter vivos* transactions) and must be read as if it were synonymous with "grants and assignments" in Section 9 of the Statute of Frauds, 1677, which enacted as follows:

> All grants and assignments of any trust or confidence shall likewise be in writing, signed by the party granting or assigning the same or by such last wish or devise, or else shall likewise be utterly void and of none effect.

The Law of Property Act, 1925, so the argument ran, was a consolidating Act, and among the Acts which it consolidated was the Statute of Frauds; therefore, the word "disposition" in Section 53 (1) (*c*) of the Act of 1925 must be given the same meaning as would be given to "grants and assignments" in Section 9 of the Statute of Frauds, and given that meaning it did not cover such a direction as was given by H.

The principles applicable to the construction of a consolidating Act, said Viscount Simonds, were not in doubt. The presumption was that such an Act was not intended to alter the law, but this *prima facie* view must yield to plain words to the contrary. If the Law of Property Act, 1925, were a typical consolidating Act, the question would be whether the alteration from "grants and assignments" to "disposition" changed the law by enlarging the area of void transactions; but the Act of 1925 could not be so regarded. The Law of Property Act, 1922, and the Law of Property (Amendment) Act, 1924 (which, in effect, repealed and re-enacted in altered form Section 9 of the Statute of Frauds) profoundly altered a large part of the law of real and personal property, and the Act of 1925, though a consolidating Act, in fact consolidated Acts which were themselves amending Acts. Accordingly, no principle of construction imposed on the amending Acts of 1922 and 1924 an interpretation appropriate to a consolidating Act, and each word must be given the meaning proper to it in the context.

The position was explained even more clearly by Lord Radcliffe, who said that there was no direct link between Section 53 (1) (*c*) of the Act of 1925 and Section 9 of the Statute of Frauds. The link was broken by the changes introduced by the amending Act of 1924, and it was those changes, and not the original statute, that Section 53 must be taken as consolidating. That being so, it was inadmissible to allow the construction of the word "disposition" in the Act of 1925 to be limited or controlled by any meaning attributed to the words "grant" and "assignment" in Section 9 of the Statute of Frauds. The other Lords agreed, and the House held that the directions given by H. were dispositions by him of his equitable interest in the shares of the company within the meaning of Section 53 (1) (*c*) of the Act of 1925, and, because they were not made in writing as required by the Section, they were ineffective and the declarations of trust were rightly assessed to *ad valorem* stamp duty.

Tax Cases—Advance Notes

House of Lords (Viscount Simonds, Lords Radcliffe, Cohen, Keith of Avonholm and Denning)
Hochstrasser (H.M.I.T.) v. Mayes. November 30, 1959.

Their Lordships in a reserved decision unanimously dismissed this appeal by the Revenue from the decision of the Court of Appeal (see Accountancy for December, 1958, page 661) which had held that a sum paid to the taxpayer by his employer to make good the loss suffered on selling his house under the employer's housing scheme was not taxable as an emolument of his employment.

House of Lords (Viscount Simonds, Lords Goddard, Radcliffe, Cohen and Keith of Avonholm)
Unit Construction Co. Ltd. v. Bullock (H.M.I.T.). November 30, 1959.

Their Lordships in a reserved decision (allowing this appeal from the decision of the Court of Appeal) unanimously held that the African companies were resident in the United Kingdom (see Accountancy for January, 1959, page 28, and May, page 270, and see also the Editorial in this issue, page 645).

The House of Lords has reserved judgment in the case of **Parker and others v. Lord Advocate (on behalf of the Commissioners of Inland Revenue).**

Court of Appeal (Lord Evershed, M.R., Sellers and Harman, L.JJ.)
Philipson-Stow and others v. C.I.R. November 20, 1959.

Their Lordships (Harman, L.J., dissenting) in a reserved decision dismissed this appeal by the trustees from that part of the decision of Upjohn, J., which related to the settled South African immovable property. Leave to appeal to the House of Lords was granted.

Chancery Division (Wynn-Parry, J.)
Imperial Chemical Industries Ltd. v. Caro (H.M.I.T.). November 11, 1959.

His Lordship, in a reserved judgment, dismissed the appeal of the company from a decision of the Special Commissioners.

The appellant company received a dividend from its Australian subsidiary during the fiscal year 1954/55. As the "new source" provisions were operating, the dividend formed the basis of assessment to United Kingdom income tax under Case V of Schedule D for both the years 1954/55 and 1955/56.

Under Article XII (1) of the Australian Double Taxation Agreement (Statutory Rules and Orders, 1947, No. 806) the Australian tax payable in respect of the dividend is allowed as a credit against any United Kingdom tax payable in respect of the dividend.

After allowing credit against profits tax (Income Tax Act, 1952, Sixteenth Schedule, paragraph 2 (2)) there remained a credit of £49,212. The company contended that this credit could be set off against the United Kingdom tax payable in respect of both the years 1954/55 and 1955/56. The Revenue contention, accepted by his Lordship, was that only the sum paid in respect of Australian tax, and that sum only once, could be used as a credit against United Kingdom tax.

The Month in the City

Less Buoyant Markets

After the marked rise in virtually all sections of the stock market in October, it is scarcely surprising that there should have been a rather weaker tone in November. Actually most sections weakened in the first days of the month, with industrial Ordinary shares the worst affected. This development may owe something to the speech of the Chancellor during the debate on the Address, in which he made it clear that he did not intend to allow price rises here to price us out of the international market, while he stated that the first claims on increased profits should be those of still further capital investment and reduction in prices. One might perhaps have expected such a statement to put up the Funds, since it certainly suggests that stability is to have first place. In fact the Funds did rise almost ¾ point, but have since relapsed; they closed slightly lower on the month, while industrial Ordinary shares rose on balance, although they are still below the new peak of 309.5 touched by the index of the *Financial Times* on November 12. The weakness of the Funds is, however, almost certainly a result of the higher rates ruling at short term in several countries on the Continent, and particularly the power of West Germany to attract floating funds. This does not mean that we shall have to follow by raising short-term rates but it does bring that possibility at least into the middle distance. The index for Ordinary shares has not only been at a new high. It had by November 18 fallen to just over 300, probably a result of technical factors. It has since rallied, partly because the quasi-official *Economic Review* has stated that there is now evidence of a real recovery in the capital goods industries, and partly as a consequence of a number of good industrial results, accompanied by increased dividends. The net effect of the various factors is reflected in the following changes in the indices of the *Financial Times* between October 30 and November 30: Government securities slightly lower at 87.46 against 87.52; fixed interest up from 95.88 to 96.99; industrial Ordinary from 302.4 to 306.0 and gold mines from 87.3 to 89.3. The yield on Old Consols, which was 0.73 points above that on the equities of this index at end-October, stood at 4.81 per cent. at end-November, showing a margin increased to 0.76 after being as high as 0.84 on November 12.

S.E. Modernisation

Some indication of the importance which the "House" has recently attached to the standing of sterling in the international markets is provided by the decision of the Stock Exchange Council to install a new system by which changes in exchange rates will be flashed by electrical equipment in various parts of the floor instead of being written up in chalk on a blackboard as has hitherto been the practice. Another projected improvement is that Hollerith machines are to be installed in the settling room by next summer. This is a product of the problems raised recently by the protracted spell of very active markets. The settlement of November 3 was the heaviest the Exchange has ever been called upon to face and a number of brokers hired Powers-Samas equipment to help them to deal with it. It appears that there has not so far been any serious dislocation, and as business showed some slackening on the last third of the month, offices are now catching up on their arrears to some extent. At one time, there was a demand that dealing hours should be extended to 4 p.m.—the present time is 3.30—but the Council eventually turned this down partly because it would add to the problems of the banks and others but more lest it should complicate still further the position in members' offices by increasing the amount of work and making for a later start on some sections of it.

Unit Trust Offers

Among a large number of demands for new capital the *Midland Bank* figure for the month is a total of £34.8 million—*Hertfordshire County Council* offered £12 million stock at 98½ which was oversubscribed and went immediately to a premium of 1½ points, while *West Bromwich* raised £4 million on similar terms. The recently created *National Commercial Bank of Scotland* announced a rights offer of one for two to raise £7 million and *Martins Bank* is to increase its resources by £4.5 million by a similar offer. There were a number of other issues in the form of rights or straightforward offers to the public, but the feature was a veritable flood of offers by unit trusts. Several of them ran into well over one million units, while others were principally notable for their special purpose. Thus there is a new trust designed for residents in the Channel Islands. Meanwhile, the new *Unit Trust Association* is looking into a number of matters and it is suggested that monthly figures of unit sales by the whole movement may be expected shortly. The *Bank and Insurance* group has brought out a new trust "Scotshares" and is contemplating opening unit shops in factories in addition to its existing practice of sales over the counter by the Scottish banks (at their English branches as well as the Scottish). Another interesting issue is the offer of 850,000 shares of £1 at par in *Anglo-Israel Securities*, an attempt to give United Kingdom investors a stake in Israel's industry. There will be no quotation for the shares until after the presentation of the accounts to March, 1961. The most spectacular issue of the month was again that of a property company, *Shop and Store Developments*, for whose 1,200,000 Ordinary shares there were some 36,000 applications totalling 37 million shares. The 5s. shares, offered at 6s. 9d., now stand around 8s. 6d., showing that the interest in property speculation is far from ended.

Discount Market Fusion

Early last month it was announced that *Cater, Brightwen & Company* and *Ryders Discount Company* were considering a fusion early next year. This would constitute a further substantial step towards the consolidation of the discount market and if the fusion occurs the resultant concern will be the third largest in the market, ranking after the *Union* and *National* discount companies. The joint concern would have capital resources in excess of £7 million, according to the latest figures available. In May of this year the chairman of Cater, Brightwen, Sir John Musker, suggested that the market as a whole and the company in particular would before so very long need to raise additional capital and function to a greater extent as bond jobbers. The fusion would tend, of itself, to make it possible for the combined firm to increase its business in bonds.

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Points From Published Accounts

Special Interim Tangle

The problem of special interim dividends, discussed in these notes last month, keeps cropping up. Many companies have made the adoption of these special payments a source of needless confusion. In the main special interim dividends were designed to relieve businesses from the additional profits tax payable on distribution had the dividend for 1957/58 been increased, and usually they were made on account of the year 1958/59, but were payable at the same time as the final dividend for the year ended 1957/58. In retrospect, therefore, it has become a common practice for students of accounts to regard all these special payments as being properly a part of the 1957/58 total distribution. Thus, a company declaring interim and final dividends totalling, say, 10 per cent. for 1957/58, plus a special interim of 2½ per cent. payable at the same time as the final for 1957/58 but chargeable against the 1958/59 accounts, would be regarded as having established its shares on a 12½ per cent. dividend basis. Now that accounts for the year 1958/59 are making their appearance, however, it is clear that this interpretation is not always acceptable to the companies concerned.

A case is point is *Oxley Engineering*. In their 1958 report the directors declared a special interim dividend in the following words: "The directors have carefully considered the financial position of the group as at July 1, 1958, and in view of the available balance on the profit and loss account at that date, have declared a special interim dividend for the year ending June 10, 1959, of 4 per cent. less tax, which will be paid at the same date as the 10 per cent. for the year under review." On the basis mentioned in our opening paragraph, the shares were put on a 14 per cent. dividend basis by the commentators. In the report and accounts just published for the year ended June 30, 1959, that interpretation is not followed, for the directors state specifically that: "The total ordinary dividend for the year is 16¼ per cent. less tax plus 2¼ per cent. tax-free dividend out of capital profits." The directors are firm in the view that the dividend has been increased from 10 per cent. to 16¼ per cent. (ignoring the tax-free distribution), but many outsiders will still feel that (again ignoring the tax-free distribution) it has been effectively reduced from an indicated 14 per cent. to 12¼ per cent. Yet a third approach could regard the 4 per cent. special interim for 1958/59 as being just that—a special non-recurring payment. The true comparison would then be between a 10 per cent. dividend for 1957/58 and one of 12¼ per cent. for 1958/59. The only real guide the student of these accounts has is that the cost of the special interim dividend has been charged against the 1958/59 profits, and not deducted from the previous year's carry forward, which would seem to be the logical and straightforward method had the payment to be properly regarded as being applicable to 1957/58. (As we mentioned last month, *Patons and Baldwins* adopted the method we prefer.)

A Model Statement

In sharp contrast to the difficulties encountered in the Oxley Engineering accounts is the following unequivocal statement in the directors' report of *S. Smith and Sons* (*England*): "The total dividend recommended for the year on the Ordinary share capital amounts to 17½ per cent. if the special interim dividend is excluded, and compares with 12½ per cent. for 1957/58 if the special interim dividend is added to the 10 per cent. paid for that year." Unfortunately, while the directors have made it plain enough that the special interim is to be regarded as part of the 1957/58 dividend, they have created an anomaly by charging it against the profits of 1958/59 instead of deducting it from the carry forward of the previous year.

This particular point apart, it is virtually impossible to fault the S. Smith accounts, which this year make their appearance in a glossy cover and have been completely redesigned inside, though the general format remains unchanged. A feature of the presentation which we continue to applaud is the excellent directors' report, which provides an amplifying background to the figures in the accounts themselves.

Half Way House

A partial change of format has been decided upon by *Regis Property*. Hitherto the profit and loss account has been presented with income on the right-hand page, and debits and net profit on the left, with the appropriation account underneath: the balance-sheet presentation has been strictly orthodox, based on a total assets figure. Now the more modern tabular form of presentation has been adopted, enabling the whole of the profit and loss account to be accommodated on one page. Somewhat surprisingly, the presentation of the balance sheet remains unchanged.

"Special" Depreciation

A somewhat unusual treatment of initial allowances relief is to be found in the profit and loss account of *B.H.D. Engineers*. This has been deducted from profits as part of the over-all depreciation charge, being shown as "special" depreciation. A note to the account explains that: "The charge for special depreciation approximates to the calculated amount of tax relief obtainable in respect of initial allowances on additions to fixed assets during the year to March 31, 1959." Since initial allowances are only in the nature of a loan, and are subsequently claimed back over the life of the asset in question, it is correct to regard them as part of the year's normal charges on profits. More usually this is done by setting up a special tax reserve.

South African Subsidiaries

The form of *Samuel Hanson*'s profit and loss account has been modified and amplified ". . . with a view, it is hoped, to making clearer the incidence and trend of profits and losses from trading as between the South African subsidiaries and the parent company in England." This has been done by setting out separately at the foot of the profit and loss account a breakdown of the carry-forward figure. This shows that, whereas the parent is carrying forward a debit of £265,897, the subsidiaries still have a credit balance of £26,596, making the overall debit, as per the consolidated account proper, £239,301. So far as it goes this is commendable, but it is a pity that the breakdown has not been extended further—to the balance sheet, for example, where it would be useful to know what proportion of the assets is in this country and what proportion is overseas. However, the accounts of *Tomango*, incorporated in South Africa, are appended separately.

Readers' Points and Queries

Taxability of Payment for Trade Mark

Reader's Query.—Mr. H. S. is a prominent ladies' hair-stylist.

During 1955 he discovered that a certain chemical compound already well-known in the medical world as C. did—when simply diluted with water—make a successful anti-dandruff shampoo. In June, 1956, Mr. S. obtained a registered trade mark R.

Mr. S. had previously mentioned the matter to a friend who was about to proceed to Canada. After arrival in Canada the friend formed a company incorporated under the laws of Ontario. This company first purchased the underlying formula from its then owners and then proceeded to manufacture and market the preparation in Canada and the United States.

Chiefly due to the efforts of Mr. S.'s friend — a salesman of outstanding ability—the venture proved highly successful, and out of gratitude to Mr. S. (who so far had no interest in the company and no expectation of gain) it was resolved to allot him 20,000 Preferred shares. The transaction was evidenced by an agreement of sale dated October 12, 1956, the consideration for the shares being the sale of the registered trade mark. Despite the agreement, the parties mentally regard the shares as a gift—certainly Mr. S. had no power to compel the issue of shares.

On January 18, 1958, consequent upon the takeover of the company by another one, Mr. S.'s shares were redeemed for $20,000 cash. The money has not so far been remitted or invested, and no income has been earned.

Mr. S. now wishes to bring the money into the United Kingdom, and has first asked us to advise on the tax position.

Reply.—The first point here is whether Mr. H. S. has sold any trade marks before, so that the sale to the company is an adventure in the nature of trade. If not, then it can be argued that it was an isolated transaction not arising in trade. Compare the copyright decisions in Withers *v.* Nethersole *(1948, 28 T.C. 501) and* Billam *v.* Griffith *(1941, 25 T.C. 757). What was in the parties' minds seems to be irrelevant in view of the agreement. But for the latter, the decision in* Bloom *v.* Kinder *(1958, 37 A.T.C. 158) could have been applied.*

If the transaction is liable, the value of the shares at the date of the agreement should be the amount assessable.

Keep and Accommodation of Husband Employed in Nursing Home

Reader's Query.—A wife who is a qualified nurse runs a nursing home. She employs her husband as a full-time assistant, paying him a low salary without charging him for his keep and accommodation, which he, like the wife, receives at the nursing home, all expenses being charged in the accounts. In the adjustment for keep and accommodation, is it likely to be accepted that adjustment need be made only in respect of the proprietress (the wife), nothing being credited in the accounts for the husband, on the grounds that he is in receipt of a net wage plus keep? It is claimed that the expense of the husband's keep is not expended for any reason distinct from the purposes of the trade.

Reply.—In our opinion, the husband can be treated in the same way as any other employee, since the case does not appear to come under Section 161, Income Tax Act, 1952.

American Director—Visits to United Kingdom

Reader's Query. — A newly formed private company has as one of its directors an American citizen resident in the United States of America. He personally holds no shares in the company. An American company incorporated in Pennsylvania, of which he is the president, holds 40 per cent. of the authorised and issued capital, the remainder being held by British residents.

It will be essential, in view of the highly specialised nature of the business of the company, for the American director to pay occasional short visits to this country. The question arises whether the payment of the expenses of such visits—travelling, hotel, etc.—and the compensation for his time will attract United Kingdom tax.

Reply.— Under Article XI of the Double Taxation Agreement with the U.S.A., a resident of the U.S.A. is exempt from United Kingdom tax on emoluments in respect of personal services performed in the U.K. in any year of assessment if he is present within the U.K. for not more than 183 days in the year and the services are performed for or on behalf of a person resident in the U.S.A. That appears to meet the case. Otherwise Paragraph 5 of Schedule 2, Finance Act, 1956, might be invoked.

Publications

Hire-Purchase Accounts and Finance. By H. Simpson Cook, F.C.I.S., J. Anderson Hermon, A.C.A., and H. Pearse, A.A.C.C.A. 144 pp. (*Gee & Co.:* 27s. 6d. net.)

THIS BOOK BRINGS up-to-date Mr. C. W. Aston's authoritative work on the subject, so filling a gap, which long needed to be filled, in the range of technical books.

According to the publishers' remarks on the dust jacket, the book is primarily written for the business executive. It is, however, advisable that the reader should have some accountancy knowledge if he is to make full use of the information and advice given by the authors.

The first forty pages are devoted to a brief survey of the various Acts which have a bearing on hire purchase and credit sale agreements, and several useful precedents are given.

The following five chapters deal in considerable detail with office routines and accounting procedures as they affect the hire-purchase trader, the finance house and the hirer. The flow-charts, specimen forms and book entries should help a diligent reader to plan a system to suit his requirements, though some of the examples and the language in places are difficult to follow.

A chapter deals briefly with certain effects of hire purchase payments on taxation liabilities. Methods of obtaining finance are very briefly described in the closing chapter, but it is to be hoped that, in future editions, this most important subject will be dealt with more fully and also that a chapter will then be included on the budgetary control of hire purchase businesses. G.K.

Spicer and Pegler's Book-keeping and Accounts. Fifteenth edition by W. W. Bigg, F.C.A., H. A. R. J. Wilson, F.C.A., and A. E. Langton, LL.B., F.C.A. Pp. xi+615. (*H.F.L. (Publishers) Ltd.:* £1 15s. net.)

THIS BOOK HAS been written primarily for the more advanced student, and it is mainly from his point of view that it must be considered. In the first nine chapters he is taken through the principles of accountancy to the preparation of company accounts under the Companies Act, 1948.

Here, and here only, in the chapter on holding company accounts, the student might tend to become more aware of the difficulties than of their solutions. This, however, is due to the difficulty of the subject rather than to any shortcomings in the text, with its wealth of examples and explanatory detail.

The remainder of the book deals with mechanised accounting techniques, with very full details of the National and Powers-Samas machines, and miscellaneous accounts, including the accounts of stockbrokers and jobbers, farms, insurance companies and hire-purchase companies.

The practising accountant will need this book for reference purposes only, and for a practitioner not in regular contact with such work the chapters on consolidated accounts, bankruptcy accounts and miscellaneous accounts should provide all that he requires.

To sum up, the authors have laid such firm foundations that it now seems impossible for any edition to fall from the high standards of its predecessors—a fact for which examinees have, and surely will continue to have, reason to be thankful. G.G.

Machine Accounting. By O. Sutton, M.S.M.A., A.C.I.S. Third edition by L. M. Nation-Tellery. Pp. 269. (*MacDonald & Evans Ltd.:* 42s. net.)

THIS NEW EDITION of what has understandably become one of the more popular textbooks on its subject is stated to be a complete revision of the earlier work, which had remained substantially unchanged for sixteen years. It was disappointing, therefore, to find that, although the book contains some excellent material, it is far from comprehensive in its treatment of the principles of machine accounting. One gains the impression that the author's undoubted enthusiasm for keyboard machines has caused him to have less regard for other forms of machine accounting, including punched card accounting. As a result about 85 per cent. of the book is concerned with keyboard machines and only 7 per cent. with punched card machines; the 5 per cent. devoted to integrated data processing would seem to be about right.

The resulting lack of balance is further emphasised by the very meagre reference made to the use of addressing machines, dye-line and other photocopying equipment in modern machine accounting systems. The use of such equipment, and of other quasi-mechanical devices, in association with conventional keyboard and punched card machines is becoming more and more widespread. A broad knowledge of the possibilities of these devices is essential for anybody considering the mechanisation of an accounting system.

Despite these criticisms, there is a great deal of interesting and valuable material in the book, and the glossary is particularly useful in interpreting the jargon which is an inescapable part of present machine accounting language. On the whole, this is a book which should be read carefully by any person interested in machine accounting, and that should include every accountant, whether in industry or in the profession. L.W.S.

Electronic Data Processing: I. An Introduction to Electronic Computers; II. Management's Initial Considerations when Planning for a Computer. Pp. 18 and 23. (*The Association of Certified and Corporate Accountants:* 2s. net each.)

THE ASSOCIATION OF Certified and Corporate Accountants is planning a series of pamphlets on electronic data processing, addressed to accountants and also to managers at all levels. Two of these have now been published. The first, entitled *An Introduction to Electronic Computers*, describes in a very condensed form the hardware of a computer installation. While this is very clear to the reader who already has a knowledge of computers, it is possible that others would not find such a brief description easy to follow. In some instances the lack of space has forced the writers to state as facts matters which are still disputed by manufacturers or computer users. We wonder, in fact, whether it is wise to attempt to explain the actual machine to a potential user before he has any clear idea how it might be used. The remainder of the first pamphlet deals in outline with programming, the management appraisal, and the auditor's approach.

The second pamphlet, entitled *Management's Initial Consideration when Planning for a Computer*, in effect amplifies part of the first pamphlet and deals with the feasibility study. The mechanics of carrying out such a study in a medium-sized firm are very adequately dealt with. The main sections describe the establishment of a study group, the work the group must do to complete the study and the points to be covered in the final report to the steering committee and the directors.

In these first two pamphlets, however, no guidance is given based on the experience of firms already using computers. For example, the study group in any firm will inevitably be faced with the choice of installing or hiring time on a

large computer, or starting with a small machine. A great deal of experience has now been accumulated on problems of this sort, and could afford guidance on broad principles. The smaller firms particularly call for considerable help on these lines, as the usefulness of computers to them is by no means clear.

Two further issues in the series are planned, one dealing with the role of the auditor, and the other with the preparations required once the decision to proceed with a computer has been made. J.A.G.

Differential Costs and Management Decisions. By D. R. C. Halford, O.B.E. Pp. ix+115. (*Pitman:* 15s. net.)

THE DIFFERENTIAL COST of any change in the activity of a business is the actual addition to its costs that the change entails, including not only the marginal costs but also any relevant changes in the fixed costs. Mr. Halford develops this concept from first principles, with diagrams plotting total and variable costs, sales revenue and the like against rate of production, and drawn to illustrate increasingly complex situations. He classifies semi-variable and fixed overheads into three categories of "stepped" costs: (1) machine depreciation, in a special category because it can change substantially for even a moderate change in activity, (2) costs associated with new buildings and major facilities, which step upwards only for large changes, and (3) administration and indirect activity costs, which move only moderately for even quite large changes, but can step up sharply for a very large change. His conclusion is that for all but large changes the differential cost will comprise in effect the marginal cost plus the "applicable" machine depreciation, which forms the subject of an interesting discussion.

Many will disagree with Mr. Halford's contention that costs including a full fixed overhead allocation have no valid use, but he does demonstrate that the differential approach is essential in problems such as those concerning return on capital expenditure and economic use of floor space. Here he is in line with modern American practice, which emphasises actual cash effects; but, rather surprisingly, apart from investment relief, he ignores in his examples the effect of tax. In an appendix he describes the use of after-tax return as "the proper, but far more complicated, method," and suggests how an estimated net yield might be computed by interpolation; but in his text he computes only the period it would take for gross savings before depreciation to pay off outlay, and the ratio of average gross return to initial outlay.

Mr. Halford at one point (page 78) suggests that for a large expenditure project, where the differential cost includes fixed ("stepped") cost elements, the standard of profitability should be lower than for a smaller project, a view which seems to conflict with the principle of using a common yield standard for cash return on investment. He does, however, go on to discuss on their merits cases where cash is not the main limiting factor.

These technical criticisms need in no way detract from the value of the many examples given in the long final chapter on "practical applications," which includes capital outlay problems, a useful outline discussion of the problem of deciding whether to make or buy components when floor space is limited, and a number of examples from a different field—haulage—based on operating cost data from *The Commercial Motor.* Mr. Halford writes as one who has grappled with these problems over many years, and his book is the more welcome for being lucidly written and informed throughout with an awareness of the practical difficulties. H.J.H.S.

Statistics. By A. R. Ilersic, M.SC.(ECON.), B.COM., F.I.S. 12th edition. (*H.F.L. (Publishers) Ltd.:* £1 10s. net.)

MR. ILERSIC'S BOOK is intended primarily for the non-mathematical student working on his own for external and professional examinations. Its emphasis is, therefore, on the basic logic of descriptive statistics and statistical inference and not on computations, statistical formulae or mathematical proofs. It covers a very wide field, and this twelfth edition has two welcome new chapters on social and vital statistics. All students of commercial subjects and the social sciences should have a knowledge of most (ideally all!) of the topics treated by Mr. Ilersic. At Southampton University the Faculty of Economics presents a course which attempts to ensure that its students are so equipped, and it has been found that Mr. Ilersic's book is the one that most closely fits the level and coverage of the course.

To the student working entirely on his own my recommendation of the book would, however, be more qualified. Such students want a liveliness of writing, a lucidity of explanation and a freshness and wealth of carefully graduated examples and problems, all to a high degree of excellence. Perhaps only the publishers of Paradise can offer such a book, and even there it would probably be a good deal more expensive than the modest price here below for Mr. Ilersic's comprehensive text, which at least meets most of the above criteria competently. On the relevant topics—and to these Mr. Ilersic is an excellent guide—the lone student should look at *Economic Arithmetic*, by Marris, and *Statistics: A New Approach*, by Wallis and Roberts. E.B.B.

Budgeting in Public Authorities. Pp. 309. (*George Allen & Unwin:* 28s. net.)

THIS BOOK IS the report of a major research study of the Royal Institute of Public Administration. The study was financed by two grants of £1,500 each from the P. D. Leake Trust. The Royal Institute gathered together an exceptionally strong team of well-known people to cover the project; headed by Dr. R. S. Edwards, chairman of the North-Eastern Gas Board, the members of the group included representatives of central government, local government, the hospital service, coal and electricity, as well as private industry and private practice. They were ably served by the Research Officer of the Royal Institute, Miss J. S. Hines, M.A., who has since died as the result of a road accident.

The bulk of the research was done by personal enquiries and interviews and the result is a comprehensive volume on all aspects of budgeting in public authorities. Well written, attractively printed and eminently readable, fully half of the book is devoted to revenue budgets. In the five chapters on these budgets the work deals separately with central government, the hospital service, local government and the nationalised industries and examines closely their practices and procedures in the preparation of budgets, the relationship between budgeting and policy making, the modification, amendment and supplementing of budgets, and the comparison of results with budgets and forecasts. Differences between non-trading public services financed by taxes and rates, and trading services operating as commercial concerns, and the influence of these differences on budgetary procedures, are discussed.

Two chapters deal with capital budgets, with pertinent comments on the need for long-term planning of capital expenditure if proper value is to be had from annual capital budgets. The need for the approval of individual capital

projects and for adherence to a fixed capital allocation, so common in the public services, is described, with examples of the procedures adopted to secure the adherence. Nor are cash or finance budgets neglected, a chapter being allotted to the place of cash budgets in public administration as a reflection rather than a determinant of revenue and capital budgets, and as a timing mechanism for borrowing.

There is a useful index and a comprehensive bibliography and the reviewer found particularly commendable the practice of including a summary of main conclusions at the end of each chapter. E.S.

Illustrations of Management Accounts in Practice. By A. G. B. Burney. Pp. 126. (*Gee and Co. (Publishers) Ltd.:* 30s. net.)

AN ENGINEERING CONCERN, employing some 300 workmen, is used as the basis for the majority of the illustrations in this book. The author stresses, from time to time, that he is giving no more than examples of management accounts which he has come across in his own personal experience. He adds considerably to their usefulness by including a chapter at the end of the book on the further developments anticipated in the system upon which he bases his principal illustrations.

Although in chapter 5 the author remarks that management accounts are a means to an end, that end being to control the costs of operations and the financial position of the business, he does in other parts discuss budgets and cash forecasts. In fact, one might have wished more emphasis to be laid upon some of the other points which are mentioned only in quite brief paragraphs. For instance, he comments that cash forecasts should be reconciled with projected profit and loss accounts, and that the practising accountant should have some experience of what happens on the factory floor if he is to install a satisfactory system of management accounts. Both are essential requirements and deserving of more space.

The author brings out very fully the different types of variances which can arise between actuals and standards on expenses and in cost of production. Everybody reading these chapters must find them of considerable interest as throwing a light on the sort of information which would be useful to him. If one reads these illustrations as an example of what can happen in any particular business, and takes clearly to heart the comments made by Mr. Burney that each particular business must devise its systems to its own liking, then unquestionably it is a book which can help to create interest in this aspect of accounting.

Reference is also made to graphs and charts, which should be used sparingly. They certainly can mislead if they are badly drawn up, but on the other hand they can also be very illuminating in the interpretation of figures.

Not enough stress has been laid upon the speed with which information should be produced for management purposes. A reference is made in one place to accurate data, but accurate data should be considered in the light of the speed with which the information is needed and the purposes for which it is going to be used. Management accounting information is primarily required to enable management to take effective action as soon as possible, either by recognising that something is going wrong in the business, or by reading into the figures a pointer to a change in trading conditions.

Probably the most important of all the points that the author makes is contained at the bottom of page 49, where he states that the management accountant must work in with departmental managers. I think those of us who have worked in industry realise that, however good our ideas may be, it is in fact vital that we have the co-operation of managers in all departments where new methods are going to be introduced. It is unquestionably true that a good management accounting system can flounder if it has no satisfactory organisational link between top management and shop management; departmental accounting statements must be clearly understood by those who are going to use them, as well as welcomed and acted upon by the management.

A.P.R.

Books Received

The Administration of Insolvent Estates in South Africa. By David Shrand, M.COM., A.S.A.A., C.A.(S.A.). Second edition. Pp. xx+500. (*Juta & Co. Ltd., Cape Town; Sweet & Maxwell Ltd., London:* £5 5s. net.)

Seasonality and Elasticity of the Demand for Food in Great Britain since Derationing. By J. A. C. Brown. Pp. 12. (*University of Cambridge Department of Applied Economics:* Reprint for private circulation.)

The 1959 Income Tax Legislation. By A. S. Silke, M.COM., PH.D., C.A.(S.A.). Pp. 44. (*Juta & Co. Ltd., Cape Town. Stocked and distributed in the United Kingdom and Europe by Sweet & Maxwell Ltd.:* 16s. 6d. net.)

Consequential Loss Insurances and Claims. By Denis Riley. Second edition. Pp. x+352+13. (*Sweet & Maxwell:* £2 10s. net.)

The first edition was reviewed in ACCOUNTANCY for March, 1957, page 143.

Pension Schemes at the Crossroads: The Stewardship of the Life Offices. By A. S. Owen, F.C.I.I. Pp. 39. (*Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2:* 2s. net.)

This paper won the Morgan Owen Medal of the Chartered Insurance Institute and will appear in its Journal next summer.

The Directory of Opportunities for Graduates, 1960. With a preface by the Rt. Hon. the Lord Godber. Pp. 248. (*Cornmarket Press Ltd., 1 Lower James Street, London, W.1:* 8s. 6d. net.)

The 1959 edition was reviewed in ACCOUNTANCY for April, 1959 (page 221).

Trade Union Law. By Harry Samuels, O.B.E., M.A., Barrister-at-Law. Sixth edition. Pp. xviii+108. (*Stevens & Sons Ltd.:* 17s. 6d. net.)

Rate Collection 1958/59. Pp. 51. (*Institute of Municipal Treasurers and Accountants:* 7s. 6d. net.)

Some Seventeenth and Eighteenth Century Double-Entry Ledgers. By Basil Yamey, Reader in Economics, London School of Economics and Political Science. Pp. 12. Reprinted from *The Accounting Review* (Columbus, Ohio), Vol. XXXIV, No. 4, October, 1959.

The 1959 Income Tax Legislation in the Federation of Rhodesia and Nyasaland. By A. S. Silke, M.COM., PH.D., C.A.(S.A.). Pp. 51. (*Juta & Co. Ltd., Cape Town. Stocked and distributed in the United Kingdom and Europe by Sweet & Maxwell Ltd.:* 21s. net.)

Facts and Figures About British Railways. 1959 edition. Pp. 44. (*British Transport Commission, 222 Marylebone Rd., N.W.1:* free on application.)

Supplement to **Income Tax Law and Practice.** 28th edition. By Cecil A. Newport, F.A.C.C.A., and H. G. S. Plunkett. (*Sweet & Maxwell Ltd.:* 5s. post free.)

West Sussex Local Authority Finance, 1959/60. Pp. 66. With Notes on the Tables. Pp. 22. (*County Treasurer's Office, Chichester.*)

Copies are available for reference at public libraries in West Sussex.

Legal Notes

Contract and Tort—
Termination of Agricultural Tenancies

It is well known that as a result of the Agricultural Holdings Act, 1948, tenants of agricultural holdings enjoy great security of tenure. The Act achieves this result by a combination of three provisions. Firstly, it lays down certain stringent conditions one or more of which must be fulfilled before a notice to quit from a landlord to a tenant is effective; secondly, tenancies for a fixed term of two years or upwards are not to terminate automatically at the end of the fixed term but continue as yearly tenancies unless and until an effective notice to quit is given; and, thirdly, tenancies for an interest less than a tenancy from year to year (for example, monthly tenancies or tenancies for a fixed term of six months) take effect as yearly tenancies.

It has long been thought that one gap might be left in the tenant's armour, for there appeared to be nothing in the Act to prevent a landlord from recovering possession at the end of a fixed term which was more than one year and less than two years in length. The existence of this gap has now been confirmed by the decision in **Gladstone v. Bower** [1959] 3 W.L.R. 815, where the landlord claimed possession of a farm which had been let to a tenant for a fixed term of eighteen months. The tenant argued that, although at common law a yearly tenancy could be determined at the end of the first year, a yearly tenancy of an agricultural holding could not be determined until the end of the second year because under Section 23 of the Act a notice to quit must not be less than twelve months in length: therefore a tenancy of an agricultural holding for eighteen months created an interest less than a yearly tenancy and took effect as a yearly tenancy. Diplock, J., held that the expression "tenancy from year to year" meant a tenancy which created an interest having the invariable characteristics common to all tenancies from year to year at common law, namely, that the interest must last for one year and, unless determined at the end of the first year by notice, would continue until determined by notice at the end of the second or any subsequent year. It followed that a tenancy for eighteen months certain was not "less than a tenancy from year to year," and the landlord was entitled to possession.

It will be interesting to see whether landlords adopt eighteen-month tenancies in such numbers that the Government will introduce amending legislation.

Contract and Tort—
Rise and Fall Clause in Building Contract

The standard form of building contract used by the London County Council contained a rise-and-fall clause providing that an allowance should be made in the contract price if "the rates of wages payable for any labour employed in the execution of the works shall in conformity with agreements between associations of employers and trade unions or with the decisions of a competent authority be increased above or decreased below the corresponding rates in force at the date of the contractor's tender . . . and the increase or decrease shall result in an increase or decrease of cost to the contractor in carrying out the works." In **London County Council v. Henry Boot and Sons Ltd.** [1959] 1 W.L.R. 1069, the House of Lords, reversing the decision of the Court of Appeal, held that the expression "rates of wages payable" did not include weekly payments made by employers to a management company for the purpose of providing holiday pay for their workmen. Their Lordships said that it was an essential element in a "wage" that it should be paid to the workman for work done by him. These payments for "holiday credits" were made for the benefit of the workmen concerned, but they were not paid to them, nor were they related to the work done by them. The benefit of these payments would no more be a "wage" than would be the benefit of a payment by the employer to a pension, superannuation or sick fund.

Executorship Law and Trusts—
Invalid Bequest

In **In re Endacott deceased** [1959] 3 W.L.R. 799, the Court of Appeal held to be void for uncertainty a bequest by a testator to a parish council "for the purpose of providing some useful memorial to myself." The Court held that the bequest was not an out-and-out gift to the parish council but imposed an obligation in the nature of a trust, and that this trust was not charitable. The Court then went on to deal with the most important question in the case, namely, whether the bequest fell within that "anomalous" class of trusts which, although not charitable, are treated as valid and effective because they are of a public character and can be properly controlled by the Court. The Court held that this class of trusts should not be extended; it was clear law that a trust, not being a charitable trust, must have ascertained or ascertainable beneficiaries in order to be effective, and to hold that this bequest was effective would be to validate almost limitless heads of non-charitable trusts, provided only that the rule against perpetuities was not broken.

An Accountant's Guide to Recent Law

STATUTORY INSTRUMENTS

No. 1770. Carriage by Air (Non-International Carriage) (United Kingdom) (Amendment) Order. Extending the class of persons for whose benefit an action may be brought in respect of the death of a passenger.

No. 1773. Foreign Compensation (Egypt) (Determination and Registration of Claims) (Amendment) Order. Amending definition of British Nationals in Order of 1959.

No. 1774. Foreign Marriage (Amendment) Order, 1959. Adding Sudan to the Schedule of the 1947 Order.

No. 1803. National Insurance (Contributions) Amendment (No. 2) Regulations. Increasing amount of items to be disregarded in determining exception from liability to pay contributions.

No. 1830 (C. 14). Nuclear Installations (Licensing and Insurance) Act, 1959 (Commencement) Order. Prescribing April 1, 1960, as date when Act shall come into force.

No. 1837. Exchange Control (Import and Export) (Amendment) (No. 2) Order. Permitting travellers to take out of U.K. £50 in sterling notes and the equivalent of £250 in foreign currency notes.

No. 1877 (C. 15). Factories Act, 1959 (Commencement No. 1) Order. Prescribing the Sections of the Act coming into force on December 1, 1959 and February 1, 1960.

No. 1869. Road Vehicles Lighting Regulations. Consolidating regulations and minor amendments.

No. 1860. National Insurance (Non-participation—Certificates) Regulations. Providing for appointment of Registrars for issue of certificates; and prescribing manner in which elections and revocations are to be made.

No. 1861. National Insurance (Non-Participation—Benefits and Schemes) Regulations. Specifying conditions for treating occupational pension benefits as the equivalent of State benefits and for recognition of pension schemes.

No. 1887. Foreign Compensation Commission (Egyptian Claims) (Amendment) Rules. Revoking rule fixing a time limit.

DECISIONS OF THE COURTS

Building Contract

Appeal allowed by House of Lords. Holiday payments not included in "rates of wages payable," since it is essential element of a wage that it should be paid to the workman for work done by him. Here the contributions were neither paid by the employer nor related to the work done; therefore the contractors were not entitled to claim them under the contract.

London County Council v. *Henry Boot & Sons Ltd.* (1 W.L.R. 1069). See page 684.

Conflict of Laws

A foreign sovereign by bringing an action in the English courts did not waive his immunity from counterclaims which were unrelated to and independent of the subject matter of the action.

High Commissioner for India v. *Ghosh* (3 W.L.R. 811).

Construction

It was the duty of underwriters to make perfectly clear in what sense a word was used in a document drafted by them.

Adler v. *Moore* (T.N. November 5).

Landlord and Tenant

Held, that no particular form of notice is provided by Section 146 (1) of the Law of Property Act, 1925, and as the notice here was valid the additional reference to a non-existent covenant did not destroy the efficacy of the notice.

Silvester v. *Ostrowska* (1 W.L.R. 1060).

Practice and Procedure

No jurisdiction in the Court of Appeal to hear application *ex parte* against refusal of master and judge in chambers to grant leave to see document filed at Central Office.

Ex parte Associated Newspapers Ltd. (1 W.L.R. 993).

Rating

Hospital maintained almost entirely for benefit of members of an industrial society not entitled to rating relief.

Waterson v. *Hendon Borough Council* (1 W.L.R. 985).

As objects of College were charitable it was entitled to rating relief. An organisation did not cease to be charitable because incidentally and in order to carry out the charitable objects it was necessary to confer special benefits on its members.

Royal College of Nursing v. *St. Marylebone Borough Council* (1 W.L.R. 1077).

The London Library not entitled to rating relief for premises.

London Library v. *Cane and Westminster City Council* (T.N. November 5).

Convalescent home held not entitled to rating relief because main object of union was not concerned with advancement of education or social welfare.

Working Men's Club & Institute Union Ltd. v. *Swansea County Borough Council* (T.N. November 12).

Shipping

Exceptions clause in charterparty considered. Whether strike frustrated contract.

Reardon Smith Line Ltd. v. *Ministry of Agriculture, Fisheries and Food* (3 W.L.R. 665).

Trust

In application to approve variation of residuary trust in a will, since the variations were not to be carried out until after death of first tenant for life it was held that the order should contain a direction that the approved variations should be carried into effect.

In re Joseph's Will Trusts (1 W.L.R. 1019).

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ABBREVIATIONS USED
All E.R. The All England Law Reports
T.N. *The Times* Newspaper
W.L.R. The Weekly Law Reports
***Note:* Taxation cases and articles excluded**

The Dublin Society of Chartered Accountants

The Chairman for 1959/60 of the Dublin Society of Chartered Accountants is Mr. John Love, F.C.A., a partner in Messrs. Cooper & Kenny, Chartered Accountants, Dublin, and a member of the Council of the Institute of Chartered Accountants in Ireland. Mr. Love was formerly Hon. Secretary of the Society of Incorporated Accountants in Ireland, of which at the date of integration he was Vice-President.

The programme includes:

January 20.—Luncheon meeting. "Ireland's Future Industrial Programme," by Mr. J. Lynch, Minister for Industry and Commerce.

February 4.—"The Finance Act, 1958, in relation to Pension Schemes," by Mr. Patrick Moore, A.C.I.I.

February 16.—"Advertising Campaigns and Costs," by Mr. John W. Tate.

March 8.—Luncheon meeting. "Local Government Auditors and Accountants," by Mr. J. G. McLaughlin, A.C.A.

March 29.—Luncheon meeting. "Information for Management," by Mr. W. L. McClelland, A.C.A.

The Society will hold its annual general meeting on May 7, a dance on February 26, a golf meeting on May 28–30, and a dinner of the Industrial and Administrative group on May 6.

The Student's Columns

SOME LIFE ASSURANCE TERMS

Days of Grace

USUALLY THIRTY DAYS after the due date are allowed for payment of annual premiums; during that time an assurance is held in force subject to deduction of the outstanding premium in the event of the death of the life assured. Days of grace are not allowed for premiums paid monthly.

(Here and throughout this article we are concerned only with **"ordinary" life assurance,** in which the sums assured are fairly large—say, not less than £100 and usually much more than that—and in which the premiums are paid by the assured person direct to the life office by post or by bankers' order. We are not here concerned with **"industrial" life assurance,** or "home savings" assurance, in which the sums assured are generally much smaller and in which the premiums are collected at the door every week or month by agents.)

Surrender Values

Each policyholder has, in effect, a share in the accumulated reserves going to make up the total life assurance fund. This share is his "reserve" and if a policy is discontinued or surrendered the amount payable to the assured, an amount that is called the surrender value, cannot exceed his reserve. However, a policy-holder's reserve is reduced by deductions made for (*a*) the cost of putting through the surrender and (*b*) other expenses. In the early years these deductions are relatively large, so that in those years the reserve, as depleted by the deductions, is low, forming only a small part of the premiums paid. From then on the ratio that the reserve (as depleted) bears to the premiums paid rises. The smallness of the ratio in the early years is mainly due to the heavy expense of issuing a policy. The premium in the first year must bear (*a*) a medical fee (save for the comparatively few assurances written without either medical examination or enquiry by the office to the proposer's medical adviser); (*b*) stamp duty; (*c*) commission to the agent; (*d*) the administrative and clerical work of preparing the policy.

It follows that a policy does not acquire any surrender value until two or three annual premiums have been paid.

Policies often contain conditions providing guaranteed minimum surrender values. Some offices show a scale of surrender values on the policy itself.

Surrender values are paid after examination of title of the applicant and completion of forms of declaration of ownership and discharge by the policyholder.

Policies of certain classes do not acquire surrender values. Among these classes are **pure endowments** (in which the sum assured is payable at a given age or at the end of a given term, but not at previous death) without return of premiums, and **"term" assurances** (temporary assurances, on which the sum assured is payable at death if it occurs within a fixed term of years).

Paid-up Policies

A paid-up policy is one for a reduced amount granted by the life office in respect of premiums already paid, upon no further premiums becoming payable—as when the policyholder decides he cannot keep up the payments. The assurance is of the same nature as the original contract. It is usual to insist that a certain number of annual premiums—often three—must be paid before a paid-up policy can be granted. Sometimes there is a minimum sum assured. Some classes of policies, those that do not acquire surrender values (see above), invariably carry no paid-up policy values.

The calculation of paid-up policies under most classes of assurances is a matter for the actuaries, but for endowment and whole life assurances with limited payments the simple proportional system is usually adopted, as follows:

Sum assured	£1,000
Total premiums payable	25
Number of premiums paid	5
Paid-up value 5/25ths of £1,000=£200.	

The practice as regards bonuses (see below) varies. Some offices add the whole of the accumulated profits to the paid-up policy, others scale them down first. Some offices allow paid-up policies to share in future profits, others do not.

Bonuses

Originally all life policies were non-participating in profits, but as premiums were found to be more than adequate, part of the surplus accumulated in the life fund was paid back to the policyholders in the form of bonus. The practice became so popular that **with-profit policies** were issued. These policies give the right—on

payment of an appropriately higher premium—to share in the surplus. Usually the bonus is not guaranteed in any way and is entirely dependent upon the profit-making capacity of the life fund. It is added to the sum assured, at a rate of so much per cent. (see below) which is usually calculated every three or five years. The bonus becomes payable at the face sum when the policy matures, but it can be surrendered earlier and separately from the sum assured, at a discount below the face sum.

Time has proved that with-profit policies are sound investments; the modern tendency is for the distributable surpluses to rise. Practically always the extra premium is more than repaid unless there is a claim in the early life of the policy. There are various methods in use:

(*a*) *The simple reversionary*. The surplus is returned as a simple addition to the sum assured based on the declared rate per cent.

(*b*) *Compound reversionary*. The method is as in (*a*), except that the bonus is calculated at the declared rate on the sum assured plus previous bonuses added to the sum assured.

(*c*) *Contribution method*. The surplus is distributed according to the types of policies from which it has been derived and is paid in proportion to their contributions. Certain types of policy may well prove more profitable than others. If this is so, under the contribution method the distributable surplus is allocated to policyholders in varying proportions according to the type of policies they hold. It is an equitable method, but is administratively difficult.

TAX ALLOWANCES FOR INDIVIDUALS

APART FROM LIFE assurance relief, which is not covered in this article, the reliefs available to an individual are:

(1) **Earned income relief** is available on the total earned income (including that of a wife): on the first £4,005 two-ninths, on the next £5,940 one-ninth. The maximum relief is therefore £1,550. Should the total income after deduction of annual payments, etc., be less than the earned income, the relief is on the lower amount, since the rest of the income must bear tax at the standard rate to cover the annual payments. National insurance contributions and annual payments are regarded as paid out of unearned income so far as that is available.

(2) **Age relief** (two-ninths) is given to an individual who (or whose wife) is sixty-five or over where the total income is £800 or less. There is, however, a marginal relief in that where the total income is over £800 the maximum tax payable is that on £800 (with age relief) plus eleven-twentieths (that is, 11s. 0d. in the £) of the excess. In an examination answer, the computation with and without marginal age relief should be shown to prove that it pays to make the claim. Where age relief is claimed, it supersedes any earned income relief.

(3) A **personal allowance** is given of £140 to a single individual (or any other individual who cannot obtain relief as married), and of £240 to a married man whose wife is living with or maintained by him. An **additional personal allowance** is available to a married man whose wife has earned income—seven-ninths of the wife's earned income, maximum allowance £140. Although pensions are earned income, a national insurance pension does not attract the additional personal allowance unless it results from the wife's own contributions. Likewise a pension to a wife in respect of her husband's services does not attract this allowance. Family allowances also do not qualify for the additional allowance, although they are treated as earned income and belong to the wife.

(4) **Age exemption** is given to a single person aged sixty-five or over if the total income does not exceed £275, and to a married man who (or whose wife) is sixty-five or over if his total income does not exceed £440. If the total income is over the limit, the tax payable is not to exceed nine-twentieths of the excess (9s. 0d. in the £).

(5) **Small income relief** is given to an individual whose total income does not exceed £300—two-ninths. If the income exceeds £300 but is under £405, tax is limited to the tax that would have been payable on an income of exactly £300, plus two-fifths of the excess (8s. 0d. in the £).

(Care must be taken to chose the better of (4) and (5).)

(6) **Child relief** is available for a child (including a stepchild) living at any time in the year of assessment. If under 11 years of age at the commencement of the tax year—£100; if over 11 but not over 16—£125; if over 16 and still at school, university or under vocational, etc., training—£150. No allowance is given where the child has an income over £100, excluding scholarships, etc. The relief applies also to any child of whom the taxpayer or his wife has the custody and maintenance. Where two or more persons claim for the same child, the allowance is apportioned as agreed or in proportion to the contributions to the maintenance.

(7) **Housekeeper and similar relief** (£60) is available to:

(*a*) A widower or widow. In this case the housekeeper must be either a female relative of the claimant or of his or her deceased spouse and resident with the claimant as housekeeper or to look after children, or some other

female *employed* by him or her for such a purpose. The married man and housekeeper allowances cannot both be claimed in the same year.

(*b*) A single person (including a person divorced or separated) who has resident with him or her a female to look after a brother or sister or other child for whom he obtains child relief.

(*c*) A married man entitled to the £240 allowance, for a female to look after a child for whom he obtains relief, provided his wife is totally incapacitated by physical or mental infirmity.

(*d*) A female claimant (entitled to the £140 personal allowance) for a female to look after a child for whom she obtains relief, provided the claimant is similarly totally incapacitated or engaged full-time in an employment, trade, profession, or vocation.

(8) **Dependent relative relief** of £60 is given in respect of a dependent relative maintained by the claimant. If the relative's income is over £135, the relief is reduced by the excess. The relative must either be the widowed, separated, or divorced mother or mother-in-law of the claimant, or be incapacitated by old age or infirmity. The allowance is apportioned among claimants where relevant.

(9) **Relief for a daughter** (£40) on whose services the claimant has to rely because of old age or infirmity of himself or his wife is given if the daughter is resident with and maintained by the claimant.

(10) **Reduced rate relief**: of the income remaining after deducting the above reliefs and life assurance relief on policies taken out after June 22, 1916, the first £60 is charged at 1s. 9d., the next £150 at 4s. 3d., the next £150 at 6s. 3d. (that is, the first £360 costs £84) and the balance at 7s. 9d. From that resulting total, relief on earlier policies is deducted. Where the wife has earned income, reduced rate relief applies to so much of her earned income as remains after deducting those allowances which can be given only because of her earned income (these are normally earned income relief—treating her income as the top slice of the joint earned income—and the additional personal allowance). Pensions and family allowances mentioned in paragraph (3) above are not included here.

Notices

The **Accountants' Christian Fellowship** will hold a meeting for Bible reading and prayer at 12.30 p.m. on January 4 in the Vestry at St. Mary Woolnoth Church, Lombard Street, London, E.C.3. The Scripture will be John, Chapter 15, verses 7–14 (commandments of love). On January 26 at 6 p.m., in the Oak Hall of the Institute of Chartered Accountants, Moorgate Place, E.C.2, Mr. Jack Wallace, LL.B., will give an address dealing with Christians who have been in prison: "Where do I go from here?" This will be followed by a short discussion.

Sir Andrew Rowell, F.I.A., Chairman of the **British United Provident Association**, announced at the recent annual general meeting that the subscription income has risen to over £3 million. Nearly 85 per cent. of this has been paid out in claims, while the cost of administration has fallen to below 10 per cent. About 750,000 persons (including dependants of subscribers, who number about 340,000) are covered. The general practitioners' scheme, to help to meet the bills of the family doctor, has been widely welcomed. The Accountants' Group of the B.U.P.A. was the subject of a note in ACCOUNTANCY for October, page 515.

The United Kingdom branch of the **International Fiscal Association**, of which the President is Mr. Roy E. Borneman, Q.C., and the Chairman Mr. Charles W. Aston, A.C.A., has a steadily growing membership. The programme for 1960 includes addesses by Mr. Roy Borneman, Q.C., on "Duality of Residence of Limited Liability Companies" (January 12); by Mr. E. B. Nortcliffe on " 'Country of Origin' in relation to Income from Movable Capital and Intangible Property" (February 10); and by Mr. H. J. Hinves on "A Taxation Code in a Developing Country (with special reference to the Central African Federation)" (March 15). Particulars can be obtained from the Hon. Secretary, Mr. O. Brooks, A.C.I.S., 122 Leadenhall Street, London, E.C.3.

Branches of the **British Computer Society Ltd.** have arranged programmes of meetings to be held during the next few months in London, Belfast, Birmingham, Cardiff, Glasgow, Hull, Leeds, Leicester, Liverpool, Manchester, Middlesbrough and Newcastle upon Tyne. They cover a wide range of topics, some of an accounting nature.

The Addo Machine Co. Ltd. claims that the **Addo-X 3541E** combined add/listing and multiplying machine, which it has just introduced, has a unique feature in its storage register. This makes it possible for the machine to be used for many more applications than the usual type of printing calculator and facilitates the speeding-up of a wide range of calculations.

A series of lectures on **Electronic Data Processing** (Random Access Method of Accounting and Control) will be given at the Northampton College of Advanced Technology, St. John Street, London, E.C.1, on Tuesdays at 6.30, beginning January 19. The fee for the course of 12 is two guineas. These lectures are intended for potential users of automatic data processing systems, and include a visit to the I.B.M. machine centre to see their actual application.

The official opening of **De La Rue Bull Machines Limited** was performed by Sir Christopher Hinton, K.B.E., F.R.S., M.A., chairman of the Central Electricity Generating Board, on December 9, at the offices of the company at 114–118 Southampton Row, London, W.C.1. Among the speakers were His Excellency Monsieur G. Chauvel, French Ambassador, Mr. A. G. Norman, chairman of the new Anglo-French company and Mr. P. Dreyfus of Compagnie des Machines Bull. This is the latest development of the De La Rue group. The French company, formed in 1922 to develop the patents of the Norwegian engineer F. R. Bull, now employs over 6,000 workers in eight factories and is the largest maker of punched card machines and computers in Europe. Of its latest computer, Gamma 60, capable of 100,000 operations a minute, it has already sold ten, of which the first will be delivered within a few weeks.

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The Institute of Chartered Accountants

in England and Wales

Meetings of the Council

AT SPECIAL AND ordinary meetings of the Council held on December 2, 1959, at the Hall of the Institute, Moorgate Place, London, E.C.2, there were present: Mr. C. U. Peat, M.C., President, in the Chair; Mr. S. J. Pears, Vice-President; Mr. J. Ainsworth, M.B.E.; Mr. E. Baldry, O.B.E.; Mr. C. Percy Barrowcliff, Mr. W. L. Barrows, Mr. T. A. Hamilton Baynes, Mr. J. H. Bell, Mr. H. A. Benson, C.B.E.; Mr. P. F. Carpenter, Sir William Carrington, Mr. G. T. E. Chamberlain, Mr. D. A. Clarke, Mr. C. Croxton-Smith, Mr. W. G. Densem, Mr. S. Dixon, Mr. W. W. Fea, Mr. J. Godfrey, Mr. G. G. G. Goult, Mr. P. F. Granger, Mr. L. C. Hawkins, Mr. J. S. Heaton, Mr. D. V. House, Sir Harold Howitt, G.B.E., D.S.O., M.C.; Mr. P. D. Irons, Mr. J. A. Jackson, Mr. H. O. Johnson, Mr. W. H. Lawson, C.B.E.; Mr. H. L. Layton, Mr. R. B. Leech, M.B.E.; Mr. R. McNeil, Mr. J. H. Mann, M.B.E.; Mr. R. P. Matthews, Mr. W. Bertram Nelson, C.B.E.; Mr. W. E. Parker, C.B.E.; Mr. F. E. Price, Mr. P. V. Roberts, Mr. L. W. Robson, Sir Thomas Robson, M.B.E.; Mr. K. G. Shuttleworth, Mr. C. M. Strachan, O.B.E.; Mr. J. E. Talbot, Mr. E. D. Taylor, Mr. A. D. Walker, Mr. A. H. Walton, Mr. V. Walton, Mr. M. Wheatley Jones, Mr. E. F. G. Whinney, Mr. J. C. Montgomery Williams, Mr. R. P. Winter, C.B.E., M.C.; Mr. E. K. Wright, Sir Richard Yeabsley, C.B.E., with the Secretary and Assistant Secretaries.

Exemption from the Preliminary Examination

One application under bye-law 79 for exemption from the Preliminary Examination was acceded to.

Exemption from the Intermediate Examination

Two applications under bye-law 85 (*b*) for exemption from the Intermediate Examination were acceded to. One application was refused.

Reduction in Period of Service under Articles

Two applications under bye-law 61 for a reduction in the period of service under articles were acceded to.

Registration of Articles

The Secretary reported the registration of 432 articles of clerkship during the last month, the total number since January 1, 1959, being 2,423.

Building Societies

On the report of the Parliamentary Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council authorised the submission of a memorandum on Building Societies to the Chancellor of the Exchequer for consideration in connection with the legislation which he intends to introduce.

Penalty Provisions of the Income Tax Acts

On the report of the Parliamentary Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council authorised the sending of a letter to the Chairman of the Board of Inland Revenue in connection with the review of the penalty provisions of the Income Tax Acts.

Overseas Trade Corporations

On the report of the Parliamentary Law Committee, following consideration of a memorandum from the Taxation and Research Committee, the Council authorised the submission of a memorandum on Overseas Trade Corporations to the Chancellor of the Exchequer.

The P. D. Leake Trust

The Council approved for publication the accounts of the P. D. Leake Trust for the year to October 31, 1959, a report on the administration of the trust and a report of the P. D. Leake Committee. A booklet containing these reports and accounts may be obtained without charge on application to the offices of the Institute by any interested person. (It is expected that copies will be available by the end of December, 1959.)

Admission to Membership

The following was admitted to membership of the Institute:

GILLINGWATER, JOHN ROBERT; A.C.A., 1959; 54 Fairfield Avenue, Kirkella, East Yorkshire.

Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

BAKER, COLIN FREDERICK; A.C.A., 1958; (S. 1950); (Sheen & Co.), Moorgate Hall, Moorgate, London, E.C.2.

BEVAN, DAVID HOWARD; A.C.A., 1959; (Howard Bevan & Co.), 19 Masson Avenue, South Ruislip, Middlesex.

BLOWER, ROLAND STANLEY; A.C.A., 1958; (S. 1950); (Jackson, Vayro & Co.), Nine Alma Square, Scarborough; also at Kirbymoorside (Jackson, Mudd & Co.) and Whitby (Jackson, Stevens & Co.).

CHIDELL, PAUL DOUGLAS ARNOLD; A.C.A., 1936; (*Chidell, Gaymer & Co.), 64 South Street, Chichester, Sussex, and at Bognor Regis.

CLARK, BRYAN DAVID; A.C.A., 1953; (*O. Carter & Coley), Cheam House, Exeter Road, Bournemouth.

CURRY, DENNIS STEPHEN; A.C.A., 1958; (S. 1931); (Dennis S. Curry & Co.), 16–17 Devonshire Square, Bishopsgate, London, E.C.2.

EVANS, MALCOLM, M.A.; A.C.A., 1959; (Malcolm Evans & Co.), 190A Upper Richmond Road, Putney, London, S.W.15.

FEARNLEY, ALBERT ERIC; A.C.A., 1959; (A. Fearnley & Co.), 147 High Street, Newton-le-Willows, Lancs.

FORREST, DAVID; A.C.A., 1959; (*W. D. Burlinson & Co.), Wesley Chambers, Union Street, Dewsbury, and at Batley and Ossett.

GOLD, (Miss) JOYCE ISABEL; A.C.A., 1959; 47 Northfield Road, Stamford Hill, London, N.16.

GOOCH, ALAN; A.C.A., 1958; (S. 1953); (*Sowerby & Rushforth), 3 Parliament Street, Hull.

HARDY, PETER FRANCIS; A.C.A., 1958; (S. 1953); (*Hardy & Hardy), 18 Green Dragon Lane, London, N.21.

HEBDEN, JOHN DEMPSTER; A.C.A., 1958; (C. Percy Barrowcliff & Co.), 55/57 Albert Road, Middlesbrough, and at Leeds, Newcastle upon Tyne and Wakefield.

LOW, GEOFFREY HADDEN; A.C.A., 1959; (R. J. Brooks & Co.), 7 Moorfields, Liverpool, 2.

MANDER, ANTONY NORMAN; A.C.A., 1956; (Antony N. Mander & Co.), Hopetoun House, 5 Lloyd's Avenue, London, E.C.3.

MOSSOP, JOHN FLEMING; A.C.A., 1957; (Mossop, Wood & Co.), 24 Bank Street, Carlisle.

NEWTON, JOHN ALAN; A.C.A., 1959; (*H. J. Newton & Son), 139A High Street, Epsom, Surrey.

POLE, LESLIE HAMMOND; A.C.A., 1954; (Pole, Russell & Co.), 2 Salisbury Road, Leicester.

PREECE, JEFFREY JAMES; A.C.A., 1957; (Frank J. Smith & Co.), 37–39 High Holborn, London, W.C.1.

PRICE, ALEC MITCHELL; A.C.A., 1949; 1029 Chester Road, Stretford, near Manchester.

ROBERTSON, TIMOTHY; A.C.A., 1958; (John Stubbs, Parkin & Co.), 11 Stafford Street, Market Drayton, Salop, and at Liverpool.

SUSSKIND, PAUL CHARLES; A.C.A., 1955; (Stuart Young & Co.), 29A Wimpole Street, London, W.1.

THOMAS, PETER MELVILLE; A.C.A., 1957; 169 Malpas Road, Newport, Mon.

THOMAS, TERENCE JAMES COYNE; A.C.A., 1959; (T. J. Coyne Thomas & Co.), 21 Rhondda Street, Mount Pleasant, Swansea.

WAYNE, HAROLD; A.C.A., 1958; (Jacqmar, Wayne & Co.), 381C Nether Street, Finchley, London, N.3.

WILSON, EDWARD ARTHUR; A.C.A., 1958; (S. 1933); (John Wilson & Co.), 3 Beech Close, Walton-on-Thames, Surrey.

WOOD, JOHN ANTHONY; A.C.A., 1956; (Mossop, Wood & Co.), 24 Bank Street, Carlisle.

Readmission to Membership

It was reported to the Council that the following readmission, made at the Council meeting on November 4, 1959, subject to payment of the amount required, had become effective.

SHELDON, JOHN; A.C.A. (J. Sheldon & Co.), 26 Broadway, Westminster, London, S.W.1.

Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

PIGRAM, ROGER FREDERICK to PYGRAM, ROGER FREDERICK.

Resignations

The Council accepted the resignations from membership of the Institute of:

ALLEN, JAMES ELLIOTT; F.C.A., Mayfield, Argyle Road, Barnet.

BALDING, HOWARD GERALD; A.S.A.A. (Davey, Balding & Co.), 33 Queens Road, Melbourne, Australia.

BARTON, HARRY; A.S.A.A., 34 Upper St. Michael's Road, Aldershot.

BEEBY, CHARLES RYLAND; F.C.A., 160 Western Road, Leigh-on-Sea, Essex.

BROAD, PERCIVAL GORDON, M.A.; F.C.A., Priory Farm House, Park Lane, Reigate, Surrey.

DEANE, RICHARD CHARLES; A.C.A., Muckridge House, Youghal, Co. Cork.

HARRISON, CYRIL FREDERICK NIGEL, M.A.; A.C.A., The Crofton Hotel, 14 Queen's Gate, London, S.W.7.

HARROP, ARTHUR ERNEST; A.C.A., 12 Great Headland Crescent, Paignton, Devon.

HUNT, (Miss) GILLIAN, A.C.A., 67 York Road, Guildford, Surrey.

MOBERLEY, HENRY WALTER, M.C., M.A.; F.C.A., Stubdale, Grasmere, Westmorland.

PEARSE, HENRY GEORGE; A.S.A.A., 4 Brick Kiln Lane, Great Horkesley, Colchester, Essex.

PHILLIPS, DONALD ROY; A.S.A.A., County Borough of Hastings, Borough Treasurer's Office, 38-40 Wallington Square, Hastings.

PRICE, EARDLEY EDWARD CARNAC, C.I.E.; A.C.A., "East Braynes," Wiveliscombe, Taunton, Somerset.

PYLE, BARRY JOHN LEAR; F.C.A., 6 Alexandra Terrace, Truro, Cornwall.

REILLY, JOHN ARNOLD; A.S.A.A., 9 Collinbridge Park, Whitewell, Belfast.

SELLEY, JOHN REGINALD WREFORD; A.C.A., 16 Pollards Hill West, London, S.W.16.

WALTON, CYRIL; F.C.A., 7 Grove Lane, Headingley, Leeds, 6.

WOOD, ARTHUR LESLIE; A.S.A.A., The Borough Treasurer, Stephyns Chambers, Bank Court, Marlowes, Hemel Hempstead, Herts.

Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

BAULF, WALTER JOHN, F.C.A., Bromley.

BREWSTER, CLEMENT JAMES, F.C.A., Enfield.

CAINE, JAMES HAROLD, A.S.A.A., Wallasey.

CHAPMAN, REGINALD LEWIS, A.C.A., Deal.

CLUCAS, JOHN ERNEST, F.C.A., London.

DUGON, ARNOLD LOUIS, M.B.E., A.C.A., Boreham Wood.

EVANS, DAVID REES, F.C.A., London.

FAWCETT, REGINALD ALDERSON, A.C.A., West Kirby, Cheshire.

KNIGHT, ARTHUR REGINALD, F.C.A., London.

MIDGLEY, GEORGE DUKE, F.C.A., London,

SMITH, ANTHONY JOHN PETER, F.C.A., London.

WESTON, RICHARD JAMES, F.C.A., Derby.

WINSLET, VICTOR GEMMEL, A.C.A., Jersey.

Firms not marked † or * are composed wholly of members of the Institute.
† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.
* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

Findings and Decisions of the Disciplinary and Appeals Committees

Finding and Decision of the Appeal Committee of the Council of the Institute appointed pursuant to bye-law 108 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on November 4, 1959.

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon a formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Charles William Decimus Over, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of Clause 21, sub-clause (3), of the supplemental Royal Charter in that (*a*) he failed within a reasonable time or at all to deal with repeated requests and enquiries made to him by the Registrar of Companies in relation to a limited company of which he was appointed the receiver in February, 1958; (*b*) he failed within a reasonable time or at all to deal with repeated requests and enquiries made to him by a limited company in relation to the position of the company referred to in (*a*) above; (*c*) he failed within a reasonable time or at all to deal with repeated requests and enquiries made to him by a firm in relation to the tax matters of that firm of which he was at one time auditor and accountant; (*d*) he failed within a reasonable time or at all to implement his promise (given to the Secretary of the Institute in two letters dated April 4 and 24, 1959) to deal with the matters set out in (*a*), (*b*) and (*c*) above, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee affirmed the finding of the Disciplinary Committee that the formal complaint against Charles William Decimus Over, A.C.A., had been proved under all headings and the Committee affirmed the decision of the Disciplinary Committee that Charles William Decimus Over, A.C.A., of 44A Commercial Road, Woking, Surrey, be excluded from membership of the Institute.

Finding and Decision of the Disciplinary Committee of the Council of the Institute appointed pursuant to bye-law 103 of the bye-laws appended to the supplemental Royal Charter of December 21, 1948, at a hearing held on November 4, 1959.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an associate of the Institute was in June, 1959, at Bow Street Magistrates Court convicted on a charge that being the liquidator of a limited company he failed to send to the Registrar of Companies a statement relating to the position of the liquidation of that company, contrary to Section 342 of the Companies Act, 1948, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved but the Committee decided that in the special circumstances no action should be taken.

Members' Library

The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:

Accounts Analysis; by J. A. Mackinnon and L. J. E. Troupe, A.C.A.: 2nd edn. 1959. (Gee, 8s. 6d.)

Airline Price Policy: a study of domestic airline passenger fares; by P. V. Cherington. Boston. 1958. (Harvard Un., 60s.)

All About Income Tax, house duty, and land tax . . .; by C. Forward. 1900. (Presented by D. F. Goode, F.C.A.)

L'Art solide de Livre De comptes . . .; by Jean Coutereels. Middleburg. 1623. (N. Israel, £92 7s. 6d.)

Bread and Circuses; by G. Schwartz. 1959. (*Sunday Times*, 12s. 6d.)

British Universities and the State; by R. O. Berdahl. 1959. (C.U.P., 30s.)

Budgeting in Public Authorities. (Royal Institute of Public Administration.) 1959. (R.I.P.A., 28s.)

Budgeting: principles and practices; by H. C. Heiser. New York. 1959. (Ronald Press, 80s.)

Charlesworth on Negligence; by J. Charlesworth: 3rd edn. 1956. 3rd cum. supplement 1959. (Sweet & Maxwell, 84s. and 7s. 6d.)

Chitty on Contracts; by J. Chitty: 21st edn. by K. Scott, B. Clauson and others. 1955. 2 vols. 4th cumulative supplement vol. 1. 1958. 5th cumulative supplement vol. 2. 1959; by F. M. Drake. (Sweet & Maxwell, 155s. and 7s. 6d.)

Companies Act, 1959. (Eire.) Dublin. 1959. (Stationery Office, 2s.)

Construction Accounting and Financial Management; by W. E. Coombs. New York. 1958. (F. W. Dodge, 94s.)

Differential Costs and Management Decisions; by D. R. C. Halford. 1958. (Pitman, 15s.)

Elements of English Law; by W. Geldart: 6th edn. by H. G. Hanbury. 1959. (O.U.P., 7s. 6d.)

The Elements of Estate Duty; by C. N. Beattie: 2nd edn. 1957. 2nd cum. supplement 1959. (Butterworth, 27s. 6d. and 2s.)

Elements of Taxation; by R. G. Williams, F.C.A.: 7th edn. (1959.) (Donnington Press, 10s. 6d.)

Financial Analysis for Management; by R. B. Lewis. Englewood Cliffs, N.J. 1959. (Prentice-Hall, 200s.)

House of Commons 1959. (*The Times*.) 1959. (The Times Office, 21s.)

House Purchase and Housing Act 1959: List of "Designated" Members. (Building Societies Association.) 1959.

Income Tax Law and Practice: 28th edn. by C. A. Newport and H. G. S. Plunkett. 1958. Supplement 1959. (Sweet & Maxwell, 30s. and 5s.)

Internal Auditing; by W. W. Bigg, F.C.A., and J. O. Davies, F.C.A.: 2nd edn. 1959. (H.F.L., 21s.)

The Key to Accounting and Costing; by J. A. R. Tainsh. 1959. (Charles Griffin, 14s.)

Kort begrijp van't Italiaens Boeck-Houden . . .; by D. Kock. Middleburg. 1651. (B.M. Israel, £21 6s. 3d.)

Organisation and Methods: a service to management; by G. E. Milward. 1959. (Macmillan, 63s.)

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The Work of the Institute

THE BRIGHTON DINNER of the South-Eastern Society of Chartered Accountants was held at the Hotel Metropole on November 6. The President, Mr. W. T. Hunter, M.B.E., F.C.A., was in the chair and the company included Mr. R. C. Pascoe, J.P., Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), Mr. Grant Currie, Mr. T. Paris, C.B.E., and other representatives of the professions, finance, commerce and the Inland Revenue.

The toast of the Institute of Chartered Accountants in England and Wales and the Accountancy Profession was proposed by Mr. R. C. Pascoe, J.P., who pointed out that solicitors were bound to come across accountants a good deal "because of course we are similarly parasitic professions."

He thought it was true to say that accountants had become the financial pioneers of commerce in this country, and this was very largely attributable to the work done by the Institute. Chartered accountants were held in very high repute not only in the City but throughout the provinces.

He had been informed that the Institute dated from 1880, and was therefore of respectable age, though perhaps not of the same decrepitude as the Law Society. (*Laughter.*)

Mr. C. U. Peat, M.C., F.C.A. (President of the Institute), responding to the toast, said that one of the problems in accountancy was the small firm and the small client; 75 per cent. of the manufacturing firms in that district employed less than 200 people. He did not know how many accountancy firms there were with one partner, but the sole practitioner was in great difficulty if he fell ill, and the fact that he was alone made it difficult to specialise.

He wondered if they would ever be able to arrange for the larger firms to assist their smaller brethren without prejudice to either.

In responding to the toast of the Institute he felt he must refer to its staff. They were the people to whom gratitude was due in full measure. The total staff, including those dealing with the journal, ACCOUNTANCY, now numbered 87, compared with 43 before integration and 18 before the last war. These figures explained why the staff was now scattered over four different buildings—the Institute in Moorgate Place, No. 43 London Wall, and two separate small offices used by the staff of ACCOUNTANCY. He was hopeful, however, that there would be a considerable improvement in the near future, and they were also considering the future home of the Institute, which they hoped would be on its present site.

When they had a staff of 18, Mr. Peat went on, the membership of the Institute was 13,000. It had risen to 20,000 prior to integration and was now 32,000. But the mere weight of numbers was greatly overshadowed by the tremendous expansion in activities. Many members did not realise the extent of this expansion. First and foremost there was the entry of the Institute into the technical field, which had meant an enormous amount of work for the Parliamentary and Law Committee, and the creation of the Taxation and Research Committee, without whose assistance the Council would never have been able to publish the large quantity of technical material now available for the assistance of members.

Then they had the annual Summer Course, a vital and popular post-war development. There was also the journal, ACCOUNTANCY, and much miscellaneous greatness which had been thrust upon them like the P. D. Leake Trust.

There were activities, too, in conjunction with other bodies, in particular the Accountants' Joint Parliamentary Committee, the Chartered Accountants' Joint Standing Committee, and the Joint Standing Committee of the Universities and the Accountancy Profession. The Secretary of the Institute was the Secretary of all these joint committees.

All this expansion was in addition to the unbelievable volume of work involved in formulating, placing before members and implementing the scheme of integration. It was impossible to describe all the work of organising the receipt and examination of applications, the correspondence, the issue of admission letters and formal certificates of membership which was now nearing completion. Also it would not have escaped his listeners' notice that early this year, little more than twelve months after the effective date, the Institute had published a List of Members reflecting the virtual completion of integration.

He could perhaps give some idea of the extent of the day-to-day work if he mentioned briefly the standing committees responsible for the Institute's activities. Many of those present would have some appreciation of all the staff and paper work required to enable any committee to function.

The two major committees were the General Purposes Committee and the Parliamentary and Law Committee, the former concerned with general policy, organisation and a host of miscellaneous matters. The Parliamentary and Law Committee dealt with legal and technical matters, including all reports emanating from the Taxation and Research Committee. The latter was itself a major committee with an extensive network of sub-committees.

Other important committees were the Overseas Relations Committee; the Investigation and Disciplinary Committee; the Examination Committee and the Articled Clerks Committee, both these being concerned with students; the Applications Committee concerned with admissions to membership, applications for fellowship, commencement of practice, re-admissions to membership and other matters; and the Finance Committee concerned not only with the growing volume of Institute finance but also with the various trusts created by the Institute in recent years.

Then there were the committees which met less frequently but were nonetheless important in their own spheres, such as the District Societies' Committee concerned with the relationship between the Council and the District Societies, the Library Committee, the Summer Course Committee and the P. D. Leake Committee. Finally there were all the joint committees with other bodies.

Not content with all this the Council had set up two special committees concerned with matters which were vitally important to the Institute. First the Education and Training Committee to examine the whole system of training for the profession and, more recently, the Technical Activities Committee to undertake a con., 'ete review of activities and objectives in the technical field. Both these special committees were involving the staff in extensive additional work.

No praise was high enough for Mr. MacIver and his staff, and he would like to pay personal tribute to Mr. MacIver for his quiet and kindly assistance and competent direction of affairs. One of his great assets was that of being completely "unflappable."

A more than normal tribute was due from the Council this year to District Societies. Over the last two years or so they had been asked for a great deal of information and assistance before Council decisions were framed.

Mr. R. McNeil, F.C.A. (a past-President of the Society), proposed the toast of the guests, and Mr. Grant Currie (a past-president of the Sussex Farmers' Union) replied.

The toast of the South-Eastern Society of Chartered Accountants was proposed by Mr. T. Paris, C.B.E., an ex-Inspector of Taxes.

Mr. W. T. Hunter, M.B.E., F.C.A. (President of the South-Eastern Society) responded.

Exacting Years Ahead

THE TENTH ANNUAL dinner of the North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants was held at the King's Head Hotel, Darlington, on November 11. Mr. E. B. Goldson, A.C.A., the Chairman, together with Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), welcomed the 175 members and guests, who included Mr. H. E. Wincott, director and editor-in-chief, *Investors Chronicle*, Mr. C. W. Boyce, C.B.E., F.C.A. (a past-President of the Institute), and many representatives of other professional bodies.

Mr. H. E. Wincott, director and editor-in-chief, *Investors' Chronicle*, proposing the toast of the Institute of Chartered Accountants in England and Wales, said that, in the past, accountants and financial journalists had had their differences, but he did not want to rake up old questions like replacement cost versus historic cost.

The probability today was that we were through the worst of the post-war inflationary period, and, if that was so, then most of the problems that had perplexed them in their profession would be over.

Before asking Mr. Peat to respond, the Chairman recalled that Mr. Peat had been a founder member of the Branch and was the first member of the Northern Society to have been elected President of the Institute since the Society was formed in 1883.

Mr. C. U. Peat, M.C., F.C.A. (President of the Institute), responding, felt that some very nice things had been said about their profession by Mr. Wincott and, coming from someone as well versed as he, they were a considerable compliment. But as time went on they would have to earn that compliment, for the ten years ahead were going to be some of the most trying of all.

Darlington, he continued, was part of a thriving industrial community on Teesside, which was a very important area so far as the Institute was concerned and potentially one of the most rapidly expanding industrial districts in the United Kingdom. It covered a varied and important cross-section of industrial enterprises—steel, chemicals, shipbuilding, heavy and light engineering, etc., as well as possessing one of the best ports on the east coast and a splendid railway system, which would soon have the biggest marshalling yard in the country.

There were two main problems to Teesside expansion: housing and water. The former they could deal with, the latter would be intractable until further reservoirs were provided. This was not the occasion to deal with the difficult problem of pollution, but as an accountant he had often wished to have the chance of checking the heavy costs and unemployment which, they were so often told, would result from any attempt to cleanse the river. He would dearly love to ascertain the cost of a grossly polluted river, not only from an extraction, filtering and eventually an industrial point of view, but also from the angle of the health and morale of the people who lived on Teesside. Incidentally, before pollution there was an annual catch of 16,000 salmon and sea trout, which today would be worth many thousands of pounds.

"You may well ask what has this to do with the Institute of Chartered Accountants. My answer is that it has everything to do with our profession." If Teesside was to expand on a sound basis, this must be founded on precise information, and chartered accountants, whether in industry or practice, had a vital and essential role to play in providing the information and collating it so that it could be readily appreciated and used to form future policy. Clients required to see from their balance sheets and profit and loss accounts a regular and prompt record of their achievements. They were now entering a period of work study and management accountancy, and they must not only provide the men to do this work and be prepared to assist them in their efforts, but also be in a position to gear the results of their labours into the final picture.

The future was full of promise, the President believed, but it was going to be one of intense competition, and as chartered accountants it was their duty and privilege to do all they could to help efficiency in both the great and the small industrial concerns of our country, so that the welfare of all might be promoted.

The toast of the guests was proposed by Mr. J. H. Eltringham, M.B.E., T.D., B.COM., F.C.A., the response coming from Mr. C. F. Meikle (President, Durham and North Yorkshire Law Society).

Fifty Years On

MORE THAN 300 members and guests attended the annual dinner of the Northern Society of Chartered Accountants held at the Old Assembly Rooms, Newcastle, on November 13. Mr. P. Cooper, T.D., F.C.A. (President), was in the chair, and the guests included the Deputy Lord Mayor of Newcastle upon Tyne (Councillor F. Russell), Sir William Scott, O.B.E., J.P., Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), Mr. G. R. Hodnett, T.D., B.A. (President of the Newcastle upon Tyne Incorporated Law Society), and other representatives of professional bodies, commerce and the Inland Revenue.

Sir William Scott, O.B.E., J.P., proposed the toast of the Institute of Chartered Accountants in England and Wales. The manufacturing industries, he said, were doing all they could to increase exports for the benefit of the nation and had great need of help from accountants to solve their problem of export finance.

Sir William had always known the name of Peat, he asserted, but this was the first time that he had had the pleasure of meeting him. Quite apart from his professional qualifications, he had been successful in every phase where the speaker had failed. "As a cricketer Mr. Peat could hold a place in any first team—I managed to stay with the reserves. In the First World War he got a commission—I, like Napoleon and Hitler, was a fully-paid corporal. In later life he got into Parliament—when I tried I was slung out. On my first visit to America I was detained on the ship for about six hours, and had visions of being sent to Ellis Island—but Charles Peat succeeded in getting there for one day. I hear that he used to sing, and there again, if he wants to sing tonight, I must content myself with accompanying him by tickling the ivories. (*Laughter.*)

"What an important part your profession plays in the welfare of this nation! You relieve us of a lot of worries, and I have the greatest pleasure in proposing your prosperity tonight. At the same time I would like to couple with that my congratulations to all those young people who this year have succeeded in getting through your examinations. How they do it, I don't know."

Responding, Mr. C. U. Peat, M.C., F.C.A., expressed the gratitude of the Institute to the officers of the Northern Society. "With integration and the new research programme of the Institute, the Council's demands on your Society have been many and heavy, and they have all been efficiently dealt with. Thank you very much."

The Institute was now in its eightieth year; it had grown from a thousand or so more or less unqualified men largely engaged on bankruptcy work to a profession of 32,000 highly qualified people, prepared to serve the community in all the manifold branches of the accountant's art.

Fifty-two years ago, said the President, his father, speaking in this great city as President of the Institute, claimed that the Institute, then twenty-seven years old, had "brought its members out of oblivion to a position of great responsibility." Today his son claimed that the half-century that had passed had seen those responsibilities immeasurably increased, and the capacity to meet them kept continuously up to date.

Many things they had learned, but one before all others: that they must not content themselves with the historic review of clients' accounts, but equip themselves to help clients plan their progress by all known aids, present and to come. Accountancy was not a static art and they sought to assist their clients to build for the future.

As the Institute increased in numbers, there was increasing difficulty in maintaining that sense of cohesion, that sense of communal effort, which was the vital inspiration in any profession. When, on qualification, members ceased to be interested in the collective progress of their profession, then that profession would start to wither from its fringes, with dire results for the firms who had dissociated themselves from the main body of research and progress.

To combat this possibility, the Council of the Institute had distributed to each member a handbook which contained all the Council recommendations, and was continuously kept up to date.

The District Societies, they all recognised, had done a wonderful job in keeping their members in touch with the march of progress, and through residential and other courses giving them the chance of keeping abreast with the latest developments. Every year the Oxford Summer Course attracted between 200 and 300 people, and was so over-subscribed that they were thinking of holding two Courses. The Course provided some first-class lectures and was a great forum for the exchange of ideas.

Lastly, but by no means least, there were the Students' Societies, which were regarded as of vital importance, because the students of today would be the chartered accountants of tomorrow.

The Students' Societies provided good fellowship as well as good training, and they must be most grateful to all those who with unselfish inspiration helped to make them so successful. In short the Institute was moving forward in steady purposeful strides into an ever-changing industrial world.

The President's final words were those of his father in 1907: "We can look with confidence to the future, realising that the experience, the efficiency, the honour and the uprightness of our members will remain for their successors, as it has been for us, a guarantee that those who will have the honour of replying to this toast in future years will have the same story to tell of prosperity for the Institute and public confidence in its members."

Colonel R. Mould-Graham, O.B.E., M.C., T.D., D.L., F.C.A., proposed the toast of the guests. He would like to give a particularly hearty welcome to the Deputy Lord Mayor of Newcastle and the National President.

Mr. G. R. Hodnett, T.D., B.A. (President of the Newcastle Incorporated Law Society), replied to the toast, pointing out that in their respective professions they faced very much the same kind of problem—an increasing pressure of work that must be cleared. They simply must encourage young people to come in and take their part.

Accountants and the Pottery Industry

THE ANNUAL DINNER of the Stoke-on-Trent Area Branch of the Birmingham and District Society of Chartered Accountants took place on November 11 at the North Stafford Hotel, Stoke-on-Trent. Mr. C. C. Bullock, T.D., J.P., A.C.A., was in the Chair, supported by 150 members and guests, who included Mr. S. J. Pears, F.C.A. (Vice-President of the Institute of Chartered Accountants in England and Wales); Mr. R. H. Plant, T.D., J.P. (Vice-President of the British Pottery Manufacturers' Federation); Mr. V. A. McKnight (President of the North Staffordshire Law Society); Sir George Wade; Mr. S. Dixon, M.A., A.C.A. (Member of the Council of the Institute), and representatives of professional bodies, commerce, finance and the Inland Revenue.

Mr. R. H. Plant, T.D., J.P. (Vice-President, British Pottery Manufacturers' Federation), proposed the toast of the Institute and spoke of the vital role accountants had played in the reorganisation of the pottery industry by introducing vastly more accurate methods of costing and of general control. In the near future, he believed, their financial advice would be sorely needed again to meet increasing competition.

Replying to the toast of the Institute, Mr. S. J. Pears, F.C.A. (Vice-President of the Institute), referred to the great amount of reorganisation being carried out at Moorgate Place owing to the growth of the profession and to integration. He spoke of the progress made by the Stoke-on-Trent Branch in increasing membership and interest in the work of the Institute.

The Branch Chairman, Mr. C. C. Bullock, T.D., J.P., A.C.A., proposed the toast of the guests, and Mr. V. A. McKnight, President of the North Staffordshire Law Society, responded.

The President Gazes into his Crystal

MR. F. H. WALSH, F.C.A., President of the Manchester Society of Chartered Accountants, presided at the annual dinner which was held at the Midland Hotel, Manchester, on November 19, and attended by about 400 members and guests. The principal guest was Sir Leonard Stone, O.B.E., Vice-Chancellor of the County Palatine of Lancaster, who proposed the toast of the Institute of Chartered Accountants in England and Wales.

A high standard of qualification was demanded for membership, Sir Leonard said. He recalled that, many years ago, when an eminent King's Counsel sent his son into the offices of a chartered accountant for twelve months before being called to the Bar, it was felt that the young man was wasting a year. Since then, however, Sir Leonard declared, he had never ceased to marvel at the wisdom of the young man's father.

In reply, Mr. C. U. Peat, M.C., F.C.A. (President of the Institute), said that sometimes it was good to gaze into the crystal, and he was going to do so tonight to see what the future might hold for their profession. His listeners would appreciate, he was sure, that his ideas were entirely personal.

For some years past their audit procedure had been tending away from a detailed checking of the books and moving instead on lines which reflected more closely the main objective, which was the verification of the assets and liabilities and the appraisement of the balance sheet and profit and loss account from the standpoint of whether these showed a true and fair view. He believed that within twenty years there must be further development along these lines to the extent of superseding much of the present audit procedure. Much more attention would then be paid to an intelligent examination and testing of the accounting system and the internal controls; further developments in mechanisation and elec-

tronics must, of course, affect procedures and eliminate much of the time-wasting drudgery of casting and posting.

What he had predicted so far obviously applied to the larger industrial concerns. The speaker now turned to that most important and numerous section of industry represented by the smaller companies and sole traders. It seemed fairly certain that the writing up of incomplete records by highly skilled accountants would be uneconomic for the small trader, and that there must be some alternative to his being thrown back upon the services of more or less unqualified men.

At this point the President took another look into the crystal and what he saw was the likelihood that over a period of years all commercial paper work such as cheques, sales invoices and purchase invoices would become standardised for size and layout, so that they could be directly used in a punched card system or an electronic computer. In every town of any size there would be at least one computer centre to which shopkeepers and other small businesses would take their records weekly or monthly to be processed—just as the ladies of today took their washing to the launderette and smoked a cigarette while their work was done by machinery.

From the records so completed the qualified accountant would draw up a set of accounts and advise his client on any desirable improvements in layout, assisting him to conduct his business with increasing efficiency.

"I must not be too flippant," Mr. Peat continued, "but when mechanised accounting was first introduced it was predicted that the accountant would soon be a man with an oilcan. Perhaps it would be logical for me to predict that in twenty years' time the accountant will carry a Geiger counter when looking for a radioactive difference in an electronic trial balance."

In a short review like this he was not pretending to write a thesis on audit procedure. He could only hope to give a very general idea of what was in his mind. If what he said about audits did in fact come true, about 50 per cent. of their work would be radically changed, requiring a more highly skilled staff, supported by many fewer of the present very worthy but not so talented hewers of wood and drawers of water. In addition to streamlining audit programmes, chartered accountants would certainly regard it as their normal duty to extend their services in the field of management accounting, and for this reason also would require an ever increasing proportion of highly skilled staff.

In other words the profession could never be static in its services, but must always be using the data it prepared to build for the future. Both sides of the profession, the practising and the industrial, should be complementary to each other.

The technique of the use of figures as a means to an end, and not as an end in themselves, would be a leaven which would in time permeate the whole lump.

Turning from the practical to the administrative side, he believed the accent would be on decentralisation, and that the District Societies would take much of the responsibility for the recruitment and training requirements of articled clerks, also providing greater facilities for their qualified members to keep up to date with the latest developments.

While he could not anticipate the findings of the Parker Committee on Education and Training he visualised a system of education and post-qualification courses in which the District Societies, in close collaboration with the Council, would take a much more direct part. He felt that the pressure of events would tend to draw members more closely together; only so could they hope to keep up with the ever higher standards of the profession, in which to lag behind was to share the fate of every straggler.

He believed they were going to enter a new world of accountancy, a more intelligent, up-to-date, new world which would require intelligent men, imaginative men and, dare he mention it, ambitious men.

A matter of great importance to which the President wished to refer was the fees received by members. This might be an embarrassing topic with so many distinguished clients present, but he was sure they had the wellbeing and efficiency of the accountancy profession at heart, even if only from a sense of intelligent self-interest.

Quoting the words of his predecessor, Mr. Barrows, at the Autumn Meeting a year ago: "The time has come when it is essential for fees to be raised substantially if the standing and work of the profession are not to deteriorate," Mr. Peat added that the major item of cost for a practising accountant was the remuneration of his staff. If they as accountants were going to give clients the increasingly intelligent and efficient service demanded, accountancy must recruit and train first-class young men and women and pay them adequate salaries. Most people were prepared to pay generously for work resulting in obvious advantage, but much of an accountant's time was devoted to ordinary work, such as auditing and the yearly round of tax computations and negotiations with the Inspector of Taxes. Clients were apt to take these services for granted and to grudge the fees asked, but they must bear in mind that even the regular day-to-day work had to be done with accuracy and the staff employed must have the highest qualifications if the work was not to suffer. Work well done deserved an adequate fee.

Before sitting down the President expressed the thanks of the Council to the officers of the Manchester Society, especially Mr. Eastwood, for all their patient and efficient help in the past year. "The more I see of the District Societies and their work," he added, "the more I appreciate the vital and increasingly important role they play in the life of our great profession."

Mr. Walsh proposed the toast of the guests, and the Bishop of Manchester (Dr. W. D. L. Greer) responded.

Recruitment and Staff Problems

THE ANNUAL DINNER of the Liverpool Society of Chartered Accountants took place on November 27 at the Adelphi Hotel, Liverpool. A total of 535 were present.

Mr. John J. Postlethwaite, B.ENG., F.R.I.C.S. (President of the Royal Institution of Chartered Surveyors), who proposed the toast of the City and Trade of Liverpool, deplored the traffic problems of Liverpool, but felt there were many achievements to show, and the civic centre was a most exciting proposition.

In reply, the Lord Mayor of Liverpool (Alderman Herbert N. Bewley, C.B.E.), after referring to the great increase in the city's population, said he was very interested to learn that the Liverpool Society of Chartered Accountants was one of the oldest in the country. It was founded a good many years before even the Institute itself.

Members of the Liverpool Society played a vital part in the commercial life of the city, and he dreaded to think what would happen if accountants ever thought fit to stage a strike. He would like to pay tribute, too, to the amount of voluntary work done by chartered accountants.

The Rt. Hon. the Lord Cohen of Birkenhead, M.D., F.R.C.P., proposing the toast of the Institute of Chartered Accountants in England and Wales, said that it was not machines which made for competence and prowess in a profession; it was the men. And Mr. Peat, the President of the Institute, was not only an ornament to his profession but a striking example of one who had given great service to his country in Parliament and elsewhere.

Replying to the toast, Mr. C. U. Peat, M.C., M.A., F.C.A. (President of the Institute of Chartered Accountants in England and Wales), said that before he went any further he must say what a great pleasure it was to see Mr. George Saunders back with them at that delightful function. They had all heard with sympathy of his illness and were rejoiced that he had reached that measure of recovery which made it possible for him to be with them that night. Mr. Peat would like to thank Mr. C. J. Peyton, the President of the Society, Mr. S. Morris, the Hon. Secretary, and Mr. K. Duncan, the Hon. Dinner Secretary, for the magnificent evening. Mr. Peat also thanked Mr. J. S. Ellison, the President of the Students' Society, and Mr. M. R. T. Sills, the Hon. Secretary, for the first-class arrangements they had made for him to meet almost a record number of students.

He was delighted to welcome back Mr. MacIver: it was such a comfort to have him once more to help with the work of the Institute. He wanted everybody to appreciate what wonderful ambassadors Mr. and Mrs. MacIver had been in America, and how important it was to keep our relationship with other countries in good order.

The President recalled that his father had

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Advertisements under "Appointments Vacant", "Practices & Partnerships", "Appointments Required", "Articled Clerks"—eightpence per word. Under "Official Notices", "Miscellaneous" and other headings—one shilling per word. Box numbers—five shillings extra (including the five words in the advertisement). Semi-displayed panels—£4 per column inch. All terms prepaid. Replies to Box Number advertisements should be addressed Box No. . . . c/o ACCOUNTANCY, *23 Essex Street, London, W.C.2, unless otherwise stated. It is requested that the Box Number be also placed at the bottom left-hand corner of the envelope.*

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(*Continued on page xliii*)

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twice addressed the Liverpool Society, once on November 15, 1905, as Vice-President, and again the following November as President. On both occasions his father had expressed pride and pleasure in the distinguished company around him, adding that "The fact that I have beside me and round about me gentlemen representing all the trades of this great city of Liverpool is a sufficient warranty in itself that the Institute of Chartered Accountants is no mean institution, is no small institution, and is respected by those from whom it seeks respect."

What his father said fifty-four years ago entirely expressed his own feelings today, and he could only echo his words with pride.

Recruitment was a human problem, Mr. Peat continued. Industry, science and the professions were competing with each other for the brighter boys and girls. In their profession of accountancy they had the system of training under articles, which demanded close personal contact between principal and clerk.

He had been reading many letters in *The Times* about "What's all right for Jack", discussing the correct relationship between management and men in industry. The letters had alternated between the cynical approach that pay and conditions of employment were the only things that mattered, and that loyalty and trust had better not be mentioned, and the other angle —the more ideal approach of close personal contact between all concerned, in a unity of purpose that made industry prosperous.

It was not for him to express an opinion on this much ventilated subject, except to say that it had a certain bearing on their own articled clerks and the general, qualified or unqualified staff employed. For them, as a profession, there could be no question of the hard materialistic approach: an articled clerk should be treated as someone to whom his principal had the closest and most important obligations; his confidence and affection should be won. This ideal might raise a laugh and be regarded as impracticable, for he was afraid that in many cases they had forgotten the early conception of clerkship, and the close ties which existed between the clerk and his principal. But unless they could re-establish something of the old intimate association he believed the whole fabric of recruitment to their profession would be endangered.

At their annual dinner last year his predecessor in office, Mr. Barrows, referred to the work of the Liverpool Society's Recruitment Sub-Committee in connection with the Audit Assistants' courses being run by the College of Commerce, and said that Liverpool was certainly giving a lead to the country and the accountancy profession. Mr. Peat believed that the scheme, now in its fourth year, was working well. As they knew, the Institute's Education and Training Committee was now considering this most important subject, and it would not be right for him to comment, except to say that Liverpool was breaking important new ground.

The problem of recruitment seemed to vary from one District Society to another, but he congratulated the Liverpool Society on a plan which should go some way towards solving their difficulties.

With regard to the unqualified members of staff other than the articled clerks, the problem of the dead-end job was always present and they must face it with sympathy and imagination. The Liverpool Society was trying out the qualification of a Certificate of Proficiency given by the Liverpool College of Commerce. Other suggestions related to a category of Assistant Accountants, who would receive a diploma from the Institute and be controlled under its Charter.

Registration of the profession might be a palliative, but it would not be a cure. They must try to gather up those people who did a very necessary but not a highly technical job of work, and see that they got some distinguishing diploma indicating their useful and essential qualifications.

In conclusion the President quoted again from his father; "The importance of the Institute is enhanced by the fact that it is supported by Societies in such districts and centres as Liverpool, Manchester and elsewhere. The great tree of our Institute only exists because of its branches, and from those branches the tree derives life and health."

The toast of the guests was proposed by Mr. C. J. Peyton, A.C.A. (President of the Liverpool Society of Chartered Accountants), with a response from Mr. L. G. T. Farmer, A.C.A. (President of the Birmingham Chamber of Commerce).

President's Luncheon

THE PRESIDENT OF the Institute, Mr. C. U. Peat, gave a luncheon party on November 17 at the Savoy Hotel, London. The guests were Lord Piercy, Lord Mills, the Rt. Hon. Sir Norman Brook, Sir Arthur ffforde, Sir Alexander Johnston, Sir Thomas Robson, Mr. W. Lionel Fraser, Mr. W. H. McFadzean, Mr. W. E. Parker and Mr. S. J. Pears.

Women Chartered Accountants' Dining Society

MISS M. FOX, F.C.A., Chairman of the Women Chartered Accountants' Dining Society, presided at a dinner held at the Hotel Rubens, London, S.W.1, on December 5. The guests included: Mr. C. U. Peat, M.C., F.C.A. (President of the Institute of Chartered Accountants in England and Wales) and Mrs. Peat; Dame Anne Bryans, D.B.E. (Deputy Chairman of the British Red Cross Society); Lt.-Commander A. R. C. Rowe, D.S.C., R.N. (Deputy Secretary of the Navy League); Sir William Carrington, F.C.A. (President of the Chartered Accountants' Benevolent Association) and Lady Carrington; Miss Kathleen Halpin, C.B.E. (Chief Administrator, Regions, Women's Voluntary Services, and President of the Federation of Soroptimist Clubs of Great Britain and Ireland); Miss M. North (a past President of the Federation of Soroptimist Clubs); Mr. J. D. Russell, F.C.A. (Chairman of the London and District Society of Chartered Accountants) and Mrs. Russell; Mr. A. S. MacIver, M.C. (Secretary of the Institute) and Mrs. MacIver.

Miss M. Fox, F.C.A. (the Chairman) proposed the toast of the Institute of Chartered Accountants in England and Wales, to which Mr. C. U. Peat, M.C., F.C.A. (President of the Institute) responded. Mr. Peat said he was surprised that women should find careers in accountancy, but he was thankful that they did, because the profession was going to want more and more of them.

Miss M. Willman, A.C.A., proposed the toast of The Voluntary Societies, and a response was made by Dame Anne Bryans, D.B.E. (Deputy Chairman of the British Red Cross Society).

The toast of the guests was proposed by Miss S. G. Lange, F.C.A., and acknowledged by Lt.-Commander A. R. C. Rowe, D.S.C., R.N. (Deputy Secretary of the Navy League).

Chartered Accountants' Hockey Club

THE CLUB OFFICERS for the current season are Mr. C. O. Merriman (Hon. Secretary and Hon. Treasurer), Mr. D. A. Tripp (Hon. Match Secretary), Mr. D. A. Liggatt (Hon. Auditor and P.R.O.), Mr. E. Freer, Mr. A. C. A. Myers, Mr. M. A. Charlton, Mr. S. J. Titcomb, Mr. N. Holland, Mr. S. N. Elgar, Mr. M. L. Pecker, and Sir Wentworth L. Rowland, Bart.

Games have been arranged for members and articled clerks against Oxford University Occasionals, Insurance Hockey Association, Inland Revenue and the Bank of England. Articled clerks' matches have been arranged with the Bristol, Birmingham and Nottingham Societies, with the London School of Economics and with London University.

The present membership is about 100, but the enlarged fixture list requires a larger number of players. Hockey players interested in joining are asked to write to the Hon. Secretary at 3 Frederick's Place, Old Jewry, London, E.C.2.

District Societies

BEDS., BUCKS. AND HERTS. BRANCH

THE FIRST BRANCH of the London and District Society was inaugurated at a luncheon held on December 9 at the George Hotel, Luton, under the chairmanship of Mr. T. R. Keens, F.C.A.

Mr. E. Kenneth Wright, F.C.A. (a member of the Council of the Institute) proposed that the Beds., Bucks. and Herts. Group be

constituted a Branch of the District Society. The resolution was carried unanimously, and Mr. C. U. Peat, M.C., F.C.A. (President of the Institute) then addressed the members present and inaugurated the Branch.

On the motion of Mr. H. L. Layton, M.S.M., F.C.A. (a member of the Council of the Institute), the officers and committee of the Group were elected the first officers and committee of the Branch.

Other members present included Mr. P. D. Irons, A.C.A. (member of the Council) and chairmen and secretaries of other groups in the District Society.

Applications for membership of the Branch will be welcomed by the Honorary Secretary, Mr. E. John Frary, A.C.A., 26 Victoria Street, Luton.

GRIMSBY AND NORTH LINCOLNSHIRE BRANCH

THE ANNUAL DINNER of the Grimsby and North Lincolnshire Branch of the Hull, East Yorkshire and Lincolnshire Society of Chartered Accountants was held at the Royal Hotel, Grimsby, on November 19, 1959.

The Chairman, Mr. L. S. Wrightson, F.C.A., supported by the President, Mr. A. A. Beardsall, F.C.A., presided and there were about 120 members and guests present, including the Mayor of Grimsby, the Mayor of Cleethorpes, the Rt. Hon. Viscount Crookshank, C.H., and Mr. S. J. Pears, F.C.A. (Vice-President of the Institute).

In proposing the toast of the Institute of Chartered Accountants in England and Wales, Viscount Crookshank, C.H., said that he had a high regard for the profession and for years had told young men who sought his advice on their future profession to become chartered accountants—if they could make the grade.

In his response Mr. S. J. Pears (Vice-President of the Institute) said that no matter what views were put forward about the difficulties faced by members it usually came down to the question of fees. One of the troubles of the profession was that accountants were as unwilling to fix proper fees as their clients were to pay them.

He went on to speak of a recent visit to the United States and Canada, where he found tremendous energy going into research and recruitment. On the American continent they were training their young people with enthusiasm and were considering the possibilities of post-qualification training. Mr. Pears thought that we could do equally well in this country.

Mr. J. M. Smith, J.P., A.C.A., a past-Chairman of the Branch, proposed the toast of the guests, to which a response was given by Mr. C. P. Mastin.

IPSWICH AND COLCHESTER BRANCH

THE IPSWICH AND Colchester Branch of the East Anglian Society of Chartered Accountants held its first annual dinner on November 11 at the Red Lion Hotel, Colchester. Among those present were several senior staff and articled pupils, as well as personal and official guests.

His Honour Judge T. F. Southall proposed the toast of the Branch, to which the President of the East Anglian Society, Mr. C. H. Sutton, F.C.A., replied. The health of the guests was proposed by Mr. G. G. G. Goult, F.C.A. (member of the Council of the Institute), and Mr. Bernard Mason, O.B.E., responded.

LEEDS, BRADFORD

A RESIDENTIAL COURSE on Management Accounting was held at Harrogate from November 13 to 15.

Papers were given by Mr. Christopher Bostock, M.F., F.C.A., on "Every Accountant a Management Accountant"; by Professor Robert Browning, M.A., LL.B., C.A., on "The Chartered Accountant as Director"; and by Mr. W. H. Leather, M.A., F.C.A., on "Management Accounting—A Problem of Communications." Discussions took place in five groups.

The course was most successful and the high standard of the papers was appreciated by all who attended.

Students' Societies

LONDON

Annual Dinner

THE ANNUAL DINNER was held at Grosvenor House, London, on December 14. Mr. W. E. Parker, C.B.E., F.C.A., President of the Students' Society, was in the chair, and about 1,500 members and guests were present. The outside speakers were: General Sir John Westall, K.C.B., C.B.E., formerly Commandant-General of the Royal Marines; Mr. John French, O.B.E., B.C.L., Chairman of the Issuing Houses Association, and Chairman of the Committee which reported recently to the Bank of England on the control of takeover bids; and Lord Ritchie of Dundee, Chairman of the Council of the Stock Exchange.

A report will appear in our next issue.

News from the Committee

Social

Another of the popular summer dances will be held in mid-1960, but final details are not yet available.

Meetings

About 350 students attended the mock annual general meeting of the South Sea Bubble Car Company on November 9, which was most instructive. The auditors' report provoked a lot of discussion on the requirements of the Ninth Schedule.

Arrangements are now being made for the spring session mock meeting, which will take the form of a tax appeal.

Recent attendances at the Monday night general lectures have been very disappointing in view of the increased membership of the Society and the importance of the subjects. It is hoped that more members attend during the spring session to obtain the help of experts speaking on subjects of such practical benefit towards their qualification.

The Debating Society held a debate and a Brains Trust during November. The debate was against the Midland Bank Debating Society.

Education and Training

Last April the Committee submitted to the Parker Committee a memorandum on the subject of Education and Training for the Profession, after taking into consideration the views expressed by members of this Society. A questionnaire was then received from the Parker Committee. The ad hoc Sub-Committee, with the Committee's approval, submitted its answers to this, and has since met the Parker Committee and given its views on points arising.

Sports

The Association football team won both its matches in October, 5–0 against Reading University and 2–0 against St. Bart's.

WEST WALES

MR. V. S. HOCKLEY, C.A., A.A.C.C.A., gave a lecture on November 12 to a large and appreciative audience of Chartered Accountant students at Swansea. His subject was "The Computation of Schedule D Assessment."

Forthcoming Events

BIRMINGHAM

Members' Meeting

January 20.—"Mind your own Business," by Mr. H. T. Nicholson, F.C.A. Queens Hotel, at 6 p.m.

Students' Meetings

January 5.—"A Subject of Topical Interest," by Miss Edith Pitt, O.B.E., M.P. Midland Hotel, New Street, at 6 p.m.

January 12.—"Income Tax Repayment Claims," by Mr. H. A. R. J. Wilson, F.C.A. Imperial Hotel, Temple Street, at 6 p.m.

January 19.—"Take-over Bids," by Mr. R. B. Wickenden, F.C.A. The Library, 36 Cannon Street, at 6 p.m.

BOLTON

January 6.—"New Approach to Share Valuation," by Mr. T. A. Hamilton-Baynes, M.A., F.C.A. Meeting open to Members, Articled Clerks and Senior Staff. Committee Room "A," Town Hall, at 6.15 p.m.

BOURNEMOUTH

January 18.—Members' meeting. Devonshire Hotel, at 6 p.m.

Students' Meetings

January 8.—"Certain Aspects of the Companies Act, 1948," by Mr. H. C. Edey, B.COM., A.C.A. At 6 p.m.

January 12.—"Auditing," by Mr. G. Glynne Williams, F.C.A., F.T.I.I. At 6 p.m.

BRIGHTON

Students' Meetings

To be held in Conference Room 3, Royal Pavilion, at 10.15 a.m.

January 9.—"Assessments under Schedule D, Cases I and II," by Mr. D. M. Arnold, A.C.A.

January 16.—"Company Liquidations," by Mr. R. D. Penfold, LL.B., Barrister-at-Law.
January 23.—"Investigations," by Mr. H. R. Dixon, A.C.A.

BRADFORD

January 15.—"The Valuation of Gifts *inter vivos* for Estate Duty Purposes," by Mr. Martin Jacomb, Barrister-at-Law. Members' meeting. Reception Room, Midland Hotel, at 6.15 p.m.

BRISTOL

January 5.—Students' annual dance. Ashton Court Country Club.

CARLISLE

January 9.—"Economics and Financial Knowledge," by Mr. A. R. Ilersic, M.SC. (ECON.), B.COM. (LONDON). Students' meeting. County and Station Hotel, at 10.15 a.m.
January 21.—"Group Accounts," by Mr. K. S. Carmichael, A.C.A. Students' meeting. County and Station Hotel, at 6.45 p.m.

COVENTRY

Students' Meetings and Function

January 4.—"Municipal Accounting," by Dr. A. H. Marshall, B.SC.(ECON.), PH.D., F.S.A.A., F.I.M.T.A. Golden Cross Hotel, at 6 p.m.
January 18.—"Costing," by Mr. A. W. Thurstans (Jaguar Cars Ltd.). Golden Cross Hotel, at 6 p.m.
January 22.—Annual dance. Hotel Leofric.

DERBY

January 20.—Members' luncheon meeting. Speaker from Derby and District Productivity Committee. St. James's Restaurant at 12.30 for 1 p.m.

Students' Meeting

January 12.—Annual General Meeting of Derby Branch of Nottingham Students' Society. Clarendon Hotel, at 5 p.m.
January 12.—"Finance in Industry," by Mr. W. T. Gill, C.A. Students' meeting. Clarendon Hotel, at 5.30 p.m.

GRIMSBY

December 21.—Members' Christmas lunch. "Experiences of an Election Campaign", by Mr. W. Pearson. Royal Hotel, at 1 p.m.
January 16.—"Basic Principles of Law of Contract and the Sale of Goods Act," by Mr. S. Wallace. Students' Meeting. Grimsby Conservative Club, 35 Bargate, at 7.30 p.m.
January 18.—Members' Discussion Meeting. "Farm Accounts" and "Directors' Expenses." Royal Hotel, at 6.45 p.m.

HALIFAX

January 18.—Members' luncheon meeting. Old Cock Hotel, at 12.30 for 12.45 p.m.

HULL

Students' Meetings

To be held at the Imperial Hotel, Paragon Street.
January 8. — "Mock Meeting — Public Examination," by Mr. N. R. Cowling, A.C.A. At 6.15 p.m.
January 21.—"Executorship Law—Estate Duty" and "Audit of a Limited Company," by Mr. D. Rich, A.C.A. At 4 p.m. and 6.15 p.m.

IPSWICH

January 5.—Quiz to be held at the offices of R. A. Paterson, C.A. Students' meeting. At 7.30 p.m.

KINGSTON-UPON-THAMES

January 4.—Meeting of the South-West London Discussion Group. The Kingston Hotel, at 6.45 p.m.

LEEDS

January 22.—Students' annual dinner. Griffin Hotel.

LEICESTER

Members' Meeting

January 22.—"Commercial Frauds," by Superintendent Bellamy of New Scotland Yard. The Chamber of Commerce, at 6 p.m.

Students' Meeting

January 15.—"Internal Auditing," by Mr. H. C. Booth, A.C.A. Students' meeting. Bell Hotel, at 6 p.m.

LINCOLN

January 22.—Mock Examination in Bankruptcy—Official Receiver. Students' meeting. Great Northern Hotel, High Street, at 5.45 p.m.

LIVERPOOL

Students' Meetings

To be held at The Library, 5 Fenwick Street
January 7.—"An M.P.'s Case Book," by Councillor Mrs. E. M. Braddock, M.P.
January 22.—"The Work of the G.P.O.," by Mr. K. P. Thompson, M.P.

LONDON

Members' Meetings

December 23.—Meeting of Management Discussion Group. Samson, Clark & Co. Ltd., 57 Mortimer Street, W.1, at 6 p.m.
January 4.—Meeting of the South-West London Discussion Group. The Mayor's Parlour, Twickenham, at 6.45 p.m.
January 6.—Meeting of Taxation Discussion Group. The Cheshire Cheese, 10 Surrey Street, W.C.2, at 6 for 6.15 p.m.
January 12.—"Every Man an Investor," by Mr. Harold Wincott, Editor-in-Chief of the *Investors' Chronicle*. The Oak Hall, The Institute, Moorgate Place, E.C.2, at 6 p.m.
January 13.—Meeting of City Discussion Group. The Tiger Tavern, 1 Tower Hill, E.C.3, at 6 for 6.30 p.m.
January 14.—Meeting of Central London Discussion Group. The Lamb and Flag, 33 Rose Street, Covent Garden, W.C.2, at 6.30 p.m.
January 20.—Meeting of North London Discussion Group. Russell Hotel, Russell Square, W.C.1, at 6.30 p.m.

LYTHAM

December 23.—Preston Students' Dinner-Dance, arranged in conjunction with the Law Society. The Clifton Arms.

MANCHESTER

Members' Meeting

January 12.—Discussion group meeting. Chartered Accountants' Hall, 46 Fountain Street, at 5.45 p.m.

Students' Meetings

In addition to the meetings set out below, the following series of lectures have been arranged by theJoint Tuition Committee, to be held at the Chartered Accountants' Hall, 46 Fountain Street, at 9.30 and 11 a.m.:
Preparatory lectures (lecturer, Mr. J. C. Wood, LL.M.), on December 19.
Intermediate lectures (lecturers, Mr. W. N. Thomson, A.C.A., and Mr. H. C. Cox, F.C.A.), on January 16 and 23.
Final lectures (lecturers, Mr. R. Y. Taylor, B.A., A.C.A., Mr. J. C. Wood, LL.M., and Mr. G. Vaughan Davies, M.A.), on December 19, January 16 and 23.
Meetings to be held at the Chartered Accountants' Hall, 46 Fountain Street, at 6 p.m.
January 7.—"An introduction to Municipal Accountancy," by Mr. S. G. Blakeborough, A.C.A. (Chief Financial Officer, Atherton U.D.C.).
January 14.—"Income Tax: Losses," by Mr. H. A. R. J. Wilson, F.C.A.
January 21.—"Managers' Figures and Wild Birds," by Mr. G. C. Naylor, B.SC.(ECON.), C.S.S.

MIDDLESBROUGH

January 19.—"The Accounts of an Executor," by Mr. K. S. Carmichael, A.C.A. Students' meeting. Hinton's Café, at 6.15 p.m.

NEWCASTLE UPON TYNE

Students' Meetings

To be held at the Y.M.C.A., Blackett Street.
January 7.—"The Money Market," by Mr. A. R. Ilersic, B.COM. At 6 p.m.
January 20.—"Institute Recommendations—Practical Points, Mechanised Accounting and Accounting by Electronic Methods," by Mr. K. S. Carmichael, A.C.A. At 6 p.m.
January 21.—"Institute Recommendations—Presentation of Balance Sheet and P. & L. A/c. Treatment of Income Tax, Investments, Fixed Assets, etc.," by Mr. K. S. Carmichael, A.C.A. At 2.15 p.m.

NEWPORT, I.O.W.

January 18.—"Modern Accounting Principles," by Mr. R. Glynne Williams, F.C.A., F.T.I.I. Students' meeting. Bugle Hotel, at 5.30 p.m.

NORTHAMPTON

January 7.—"The Redemption of Debentures and Preference Shares," by Mr. R. J. Carter, B.COM., F.C.A. Students' meeting. Plough Hotel, at 6 p.m.

NOTTINGHAM

Students' Meetings

January 6.—"The Money Market," by Mr. A. S. J. Thorne. The Ballroom, the Elite Cinema, Parliament Street, at 5.30 p.m.

January 13.—"Consequential Loss Insurance," by Mr. G. Bendall, F.C.A. The Ballroom, the Elite Cinema, Parliament Street, at 5.30 p.m.
January 20.—"Creation of Credit by Banks," by Dr. S. B. Saul, PH.D., B.COM. (Liverpool University). Lecture held jointly with the City Treasurer's Department Students' Society.

OXFORD
Members' Meeting
January 5.—Brains Trust. The panel will consist of Mr. G. F. Ansell, F.C.A., Mr. F. Clive de Paula, T.D., F.C.A., and Mr. E. Kenneth Wright, F.C.A. Members will be invited to ask questions. Royal Oxford Hotel, at 6 p.m. for 6.30.

Students' Meeting
January 19.—"Branch Accounts," by Mr. D. Rich, A.C.A. Kemp Restaurant, Broad Street, at 6.30 p.m.

PETERBOROUGH
January 20.—"Recent Developments in Contract Law," by Mr. R. F. Allen, LL.B., A.C.I.S. Students' meeting. Bull Hotel, at 6.45 p.m.

PLYMOUTH
January 14.—"Modern Developments in Accounting Principles," by Mr. R. Glynne Williams, F.C.A. Members' meeting. Grand Hotel, at 6.15 p.m.
January 14.—"Internal Check," by Mr. R. Glynne Williams, F.C.A. Students' meeting. Grand Hotel, at 4.15 p.m.

PRESTON
Students' Function and Meetings
December 23.—Dinner-dance, arranged in conjunction with the Law Society. The Clifton Arms, Lytham.
The following lectures, to be held at the Masonic Hall, Saul Street, off Lancaster Road, at 10 and 11.15 a.m., have been arranged by the Manchester Joint Tuition Committee: Intermediate lecture (lecturer, Mr. W. H. Thomson, A.C.A.*) on January 23. Final lectures (lecturers, Mr. C. C. Hunn, Senior Inspector of Taxes, Mr. R. Y. Taylor,* B.A., A.C.A., *Mr. J. C. Wood,* LL.M.*) ot December 19 January 16 and 23.*

SHEFFIELD
January 13.—"Partnership Assessments", by Mr. H. A. R. J. Wilson, F.C.A. Student's meeting. Grand Hotel, at 5.30 p.m.

SUNDERLAND
Students' Function and Meeting
January 8.—Sunderland Students' annual dinner-dance. Palatine Hotel.
January 20.—"Standard Costing and Budgetary Control" and "Management Accounting," by Mr. K. S. Carmichael, A.C.A. The Museum Room, Sunderland Technical College, at 2.15 p.m.

SWANSEA
Students' Meeting
January 8.—"Capital Expenditure in a Nationalised Industry," by Mr. E. L. Robbins, A.C.A. Lovell's Cafe, at 4.30 p.m.

TRURO
January 15.—"Modern Developments in Accounting Principles," by Mr. R. Glynne Williams, F.C.A. Members' meeting. Red Lion Hotel, at 6.15 p.m.
January 15.—"Internal Check," by Mr. R. Glynne Williams, F.C.A. Students' meeting. Red Lion Hotel, at 4.30 p.m.

WOLVERHAMPTON
January 11.—"The Origin and Development of the University of Birmingham," by Mr. G. L. Barnes, M.A., A.C.A. (Secretary, Birmingham University). Members' meeting. Victoria Hotel, at 6 p.m.
January 13.—Film on Mechanised Accounting, by a representative of Powers-Samas. Students' meeting. Victoria Hotel, at 6 p.m.

WORKINGTON
January 8.—"Economics and Financial Knowledge," by Mr. A. R. Ilersic, M.SC.(ECON.), B.COM.(LONDON). Students' meeting. Commercial Hotel, at 7 p.m.

Personal Notes

Messrs. Harper, Feather and Paterson, Chartered Accountants, London, E.C.2, held a lunch at the Great Eastern Hotel on November 12 in honour of Mr. W. E. Ely, one of their senior audit clerks, to celebrate his completion in September of fifty years' service. The luncheon was attended by Mrs. Ely, past and present members of the firm and senior employees. To mark the event in a more permanent manner, a gift of furniture had previously been made to Mr. and Mrs. Ely.

Cooper Brothers & Co. and Carter & Co. announce that as from January 1, 1960, they have agreed to amalgamate their practices in Birmingham. The combined practices will be carried on for the time being in the names of Cooper Brothers & Co. and Carter & Co. from the present offices.

Cooper Brothers & Co., Coopers & Lybrand and Société Anonyme Fiduciaire Suisse (Schweizerische Treuhandgesellschaft) of 90 Freie Strasse, Basle, announce that they have formed the Swiss firm of Coopers & Lybrand A.G. with offices at Basle, Zurich, Geneva, Lausanne and Milan.

Mr. K. C. Rodley, A.C.A., has been appointed secretary and accountant to the Sarawak Electricity Supply Co. Ltd., Kuching, and will assume full-time duties there in April, 1960.

Mr. F. A. Stapleton, A.C.A., has taken up the appointment of financial director of Allen Solby & Co. Ltd., Nottingham.

Messrs. Pannell, Crewdson and Hardy, Chartered Accountants, Lagos and Kaduna, Nigeria, announce that Mr. D. J. Neville, A.C.A., formerly resident manager in Kaduna, is now a partner in the Nigeria firm.

Mr. F. H. R. Baraldi, F.C.A., has been appointed United Kingdom regional manager of the Coca-Cola Export Corporation. He became assistant regional manager last year.

Mr. F. A. Ross, A.C.A., has been appointed a director of Edgar Allen & Co. Ltd., Sheffield. He retains the position of secretary, which he has held since 1952.

Mr. R. Cook, B.A.(ADMIN.), A.S.A.A., A.I.M.T.A., formerly deputy chief accountant, is now chief accountant of the Midlands Electricity Board.

Mr. A. G. Andrews, A.C.A., has been appointed a director of Monroe Calculating Machine Co. Ltd., London, W.C.2.

Messrs. Wallace Cash & Co., Chartered Accountants, and Messrs. Mason Marks & Co., Chartered Accountants, both of 11 Stanhope Gate, Park Lane, London, W.1, have amalgamated their practices, and Mr. S. M. Marks, A.C.A., has become a partner in Wallace Cash & Co. Mr. Wallace Cash, F.C.A., has ceased to be a partner in that firm but has arranged to be available in a consultative capacity.

Removals

Messrs. Alfred Shankland & Sons, Chartered Accountants, have moved their Cardiff offices to 8 Park Grove, Cardiff.

Messrs. Wilson, Bigg & Co., Chartered Accountants, announce that their address is now 4/7 Chiswell Street, London, E.C.1.

Messrs. Mitchell, Rodrigues & Co. have changed the address of their Wimbledon office to York House, 32 St. George's Road, Wimbledon, London, S.W.19.

Obituary

Sir Frederick Rowland

WE RECORD WITH deep regret the death on November 13 of Sir Frederick Rowland, BT., F.C.A., Lord Mayor of London for 1949/50. He was eighty-four years of age.

After serving articles in Cardiff, Sir Frederick qualified as a member of the Institute in 1901, and in the following year founded the firm of F. Rowland & Co., Chartered Accountants, in the City of London.

He was elected to the Common Council in 1922, and became an alderman in 1942. He received the honour of knighthood in 1930, at the end of his year of office as sheriff of the City, and became a baronet in 1950 after serving as Lord Mayor.

Sir Frederick was Master for two years of the Worshipful Company of Horners. He was a past-President of the City Livery Club, and served as a Commissioner of Taxes for the City of London, as a member of the London Airports Advisory Committee, as a trustee of Morden College and as a governor of St. Bartholomew's, St. George's and the City of London Maternity Hospitals.

APPOINTMENTS VACANT

(Continued from page xlii, facing page 695)

CHARTERED ACCOUNTANT aged 24–30, preferably single, required for the associated company in Singapore of a leading merchant company with Head Office in London and with worldwide interests and staff in many oversea countries. Applicants should have good general audit or commercial accountancy experience. Remuneration, retiral benefits, leave and leave passages, etc., are on a generous basis and will be outlined at interview. Housing is provided at nominal rent. The Company has a medical scheme. Box No. 263, c/o ACCOUNTANCY.

CHARTERED ACCOUNTANT required by large and well-known engineering group in the Midlands as Secretary/Chief Accountant of important subsidiary. Age 27 to 35. Starting salary not less than £2,000 p.a. according to experience. Previous industrial experience an advantage but not essential. Good prospects for promotion within the group. Contributory pension scheme. Apply, in writing, giving full details, including age, education and experience to Box No. 277, c/o ACCOUNTANCY.

CITY CHARTERED ACCOUNTANTS want qualified man in expanding Secretarial Department. Age 26–35. Salary £1,000–£1,150, luncheon vouchers and pension fund. Apply Box No. 261, c/o ACCOUNTANCY.

EXPERIENCED CHARTERED ACCOUNTANT required to take charge of medium-sized West Riding town practice for a period of 2 years whilst practitioner is serving his National Service. Knowledge of incomplete records and taxation essential. Write, stating age, experience and salary required. Box 275, c/o ACCOUNTANCY.

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who wish to enter industry to gain experience in operational accounting departments and acquire a sound knowledge of the Company's systems as preparation for assuming responsible posts reporting to senior and top management.

There are only three vacancies and candidates should have no National Service commitments.

Please write to MR. H. G. PEARMAN, Training and Recruitment Department, Ford Motor Company Limited, Dagenham, Essex, for an application form quoting reference CTA.

MSL *have been retained to advise on the appointment of an*

ACCOUNTANT

for the British subsidiary of an international ethical pharmaceutical company, which is engaged in the manufacture and marketing of a wide range of products in this country.

The appointed candidate will be responsible to the Secretary and Treasurer for the maintenance of a complete system of financial accounting and will be expected to initiate improved accounting and statistical method within a context of budgetary control and analysis.

Applicants of broad commercial experience must be chartered accountants and a university degree would be an asset.

Age range 30–35. Salary initially up to £2,000 per annum. Social security benefits.

Please send brief details in confidence, quoting reference JJ. 2049, to G. K. Dickinson. In no circumstances will a candidate's identity be disclosed to our client unless he gives permission after a confidential interview at which he will be given full details of the appointment.

MANAGEMENT SELECTION LIMITED
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KINGSWAY CHARTERED ACCOUNTANTS with expanding practice require young qualified, or experienced unqualified, accountant for position as Senior Audit Assistant. Excellent prospects for right man. No Saturdays. Pension scheme available. Write Box No. 271, c/o ACCOUNTANCY.

LARGE CITY FIRM of Chartered Accountants has vacancies for qualified accountants. Good experience and salary, five-day week, pension fund. Box No. 204, c/o ACCOUNTANCY.

LEEDS. Old established Chartered Accountants require experienced Chartered Accountant aged 30–35 to undertake duties of audit manager for medium to large-sized concerns in immediate locality. Good salary and prospects. Write fully in confidence to Box No. 264, c/o ACCOUNTANCY.

LONDON CHARTERED ACCOUNTANTS require junior partner after probationary period at salary up to £1,000—according to experience. Good all-round knowledge with some taxation experience required. Write with full particulars to Box No. 274, c/o ACCOUNTANCY.

MSL *have been retained to advise on the appointment of a*

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for the

Birmingham Industrial Trust Limited

a new issuing house which has been formed in Birmingham. The Manager should be between 35 and 45 years of age and have had experience, preferably in London, in a firm or company engaged in the provision or raising of capital. An accountancy qualification and some experience of Stock Exchange procedure would be of advantage but are not essential.

The man appointed would be required to make full analyses of the financial position of companies and should be capable of drawing up detailed proposals for raising short, medium and long-term capital. He should also be able to give general financial advice on related matters such as the re-organisation of capital structures, amalgamations and acquisitions.

Salary will depend on experience and is subject to negotiation, but will be not less than £2,500 per annum.

Please send brief details in confidence, quoting reference JJ.2067, to G.K. Dickinson. In no circumstances will a candidate's identity be disclosed to our client unless he gives permission after a confidential interview at which he will be given full details of the appointment.

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101, Wigmore Street, London, W.1.

Quoting reference: 60/10.

NIGERIA.—Cassleton Elliott & Co. require for associated firm in West Africa, experienced Qualified Accountant or Secretary to take charge of Secretarial Department. Eighteen months' tours, with generous leave; free furnished accommodation. Provident Fund. Outfit allowance. Passages provided. Low Income Tax. Salary for required experience £2,000 per annum. Write: 4/6 Throgmorton Avenue, E.C.2.

NIGERIA: Chartered Accountants in Nigeria require qualified Accountants. Tours of eighteen months with generous leave on full salary. Fully furnished quarters provided. Provident Fund. Initial kit allowance £40. Low Income Tax. Salary for men with 2/3 years' post graduate experience in the profession approximately £1,600 per annum. For a newly qualified man approximately £1,300 per annnum. Single men preferred, but if married, passages for wife and family provided. Apply with full particulars to Box No. 204, DORLAND ADVERTISING LTD., 28 Haymarket, S.W.1.

Commissions in the Royal Air Force Secretarial Branch

The duties of R.A.F. Secretarial Officers include administration, accounting, intelligence and personnel selection.

Permanent. University Graduates or qualified accountants and secretaries under 30 may be appointed to permanent commissions and can expect promotion to Flight Lieutenant in 4½ years. Higher promotion is by selection.

Short Service. Commissions of 5 or 6 years are open to candidates under 37 who are qualified to the Intermediate standard of certain recognised bodies, or who have 5 G.C.E. "O" level passes (including English language). Those qualified to Intermediate standards are commissioned on entry.

For full details write to: Air Ministry (AR1), (AY569) Adastral House, London, W.C.1.

PEAT, MARWICK, MITCHELL & CO., 11 Ironmonger Lane, London, E.C.2, have vacancies in their London office for young Chartered Accountants who wish to widen their experience in all branches of accountancy. Excellent prospects, good starting salary, pension scheme. Opportunities for service overseas. Applications to 11 Ironmonger Lane, E.C.2.

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PRICE WATERHOUSE AND CO. have vacancies for young qualified accountants who wish to acquire a wide and varied experience. Good starting salary and excellent prospects. Opportunities to transfer abroad in due course. Write to 3 Fredericks Place. Old Jewry, London, E.C.2.

RHODESIA. Chartered Accountants required by International Firm of Accountants for their Salisbury and Bulawayo Offices. Candidates should be either recently qualified or with two to three years' experence since qualifying. Three year contracts. Starting salaries £1,300—£1,600 p.a., according to experience. Annual bonus. Excellent prospects. Please write, with full particulars, to Box No. 265, c/o ACCOUNTANCY.

RUSSELL, Durie Kerr, Watson & Company require for their London Office a newly qualified chartered accountant. Salary according to age and experience but not less than £850 a year. Please reply to the above firm, 4 Tokenhouse Buildings, Kings Arms Yard, London, E.C.2.

SEMI-SENIOR AUDIT CLERK required by City firm of Chartered Accountants. Salary up to £800 per annum according to age and experience. Please apply in writing to Box 4496 FROST-SMITH ADVG., 64 Finsbury Pavement, London, E.C.2.

TAXATION ASSISTANT. Accommodation (flat) available. Oxford firm of Chartered Accountants have a vacancy in their Tax Department for an assistant with some experience of Tax work generally. The work is varied and could offer opportunities for dealing with, and acquiring experience in, individuals' Income Tax in all its branches and partnership and company Income Tax and Profits Tax. Apply in own handwriting, stating age, experience and salary required, to CRITCHLEY, WARD & PIGOTT, 1/5 Broad Street, Oxford.

VACANCIES available for qualified Accountants in South America, West Indies. Rhodesia, Kenya, Far East and the Continent. Call BOOTH'S AGENCY, 80 Coleman St., Moorgate, E.C.2.

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APPOINTMENT REQUIRED

PROMISING Indian Chartered Accountant aged 24 desires position as Audit Clerk under Chartered Accountants. Box No. 273, c/o ACCOUNTANCY.

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